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# THE ROUND TABLE

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Dec 1945  
Sept 1946

A QUARTERLY REVIEW OF THE POLITICS  
OF THE BRITISH COMMONWEALTH

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AND ARTICLES FROM CORRESPONDENTS  
IN

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R Y P I

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS  
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J. T. V. N.



## THE SCHISM OF EUROPE

### BREAKDOWN OF THE LONDON CONFERENCE

ADDRESSING the House of Commons in the debate on foreign policy on October 26, Mr. Ernest Bevin described such universal devastation and misery as have not been known in Europe since the end of the Thirty Years War. Twenty-five millions of homeless people are on the march. They are pouring out of Germany, into Germany, across Germany—released prisoners of war and labour slaves of the enemy's war machine, Germans expelled from the liberated countries or Poles from the eastern marches of what they had learned to consider their own land, political or racial refugees fleeing from the domination of their adversaries. Food and fuel are as scarce as shelter, and growing scarcer as the season declines. As the grip of winter closes upon the Continent, hunger deepens towards famine and starvation, cold from being a source of general misery becomes a menace of death. No one dare yet say how many of the victims of this tragic *Volkswanderung* will survive to find a resting-place and the chance to begin life afresh. Deficiency diseases are firmly established among them; it is scarcely conceivable that epidemic diseases will not take hold of them long before the winter is out. If that happens—when that happens—there is little hope that the spread of infection can be checked, since the powers of resistance of these unhappy people are already almost spent. We are likely during this winter to be taught the lesson of the ineluctable unity of Europe in terms that we cannot ignore; for pestilence knows no frontiers. Terrible is the punishment that the forces of nature, which treat humanity as one race, can inflict for the supreme crime against human unity, which is war.

The root of the evils now descending upon Europe lies in the past, which allied statesmanship is powerless to alter. We are free in conscience to blame the monstrous dominions we have overthrown for letting loose upon mankind a curse that cannot be arrested until it has worked itself out in ruin and death. To mitigate, however, so far as may be, the vast mass of human suffering that flows from the great conflict requires that the problem of Europe be grasped as a whole by an authority capable of wielding its powers in a single design and with a concerted will. This has been within the capacity of the victors. At the moment when they became invested with plenary authority they were united; and on their ability to maintain their unity of administration hung the life or death of innumerable people. To-day Europe is split asunder into two regions, divided by the frontier of the Elbe and its continuation southward, between which there is little communication or confidence, and over which it is for the time being impossible that any concerted policy can be made to prevail. While this mutual suspicion persists, the hope of setting limits to the devastation proceeding from war is in abeyance. If we have learned by the experience of a quarter of a century ago, we have no right to assume that the cost in human lives of the starvation and

disease that follow war will be any smaller than that of military operations themselves. These are the dimensions of the present challenge; and they measure the magnitude of the tragedy involved in the breakdown of negotiations between the eastern and western allies at the London Conference.

If the background to this diplomatic failure—the threat of avoidable death to myriads or millions—is kept resolutely before the imagination, it is possible that the tragedy may have its proper value in purging the soul by pity and terror. But the condition is that it be seen as tragedy in the true sense, not a conflict between good and evil, but a conflict of purposes both in themselves good. However confident we may be in the essential rightness of the case made for Great Britain and the United States at the conference, that does not preclude the possibility that the case made in opposition by the Soviet Union may also be founded in justice; and the catastrophic consequences that will proceed from a continued failure to agree make essential an attempt to resolve the conflict in some higher synthesis.

#### THE RUSSIAN CASE

SUCH an attempt depends upon a deliberate effort on the part of Russia's allies to understand the real strength of the Russian case, suspending if necessary, until it has been adequately grasped, any natural impulse to argue against it. The actual breakdown of the conference turned upon the question of its membership, the Russian delegates disputing the right of the French and Chinese to take their places on equal terms with the representatives of the three principal Powers. Although this may not have been the deepest or most intractable source of disagreement, it is certainly not to be dismissed as a mere pretext for breaking off negotiations. The conference was admittedly organized on a basis of power—power as shown in action in the course of war, power to bear the responsibilities in the world that confront the victors in the immediate administration of prostrate Europe, and in permanently maintaining peace. The Russian contention that France and China, judged either by their war record or by their present effective strength, are not great Powers in the sense required by the work ahead is implicitly supported by the argument of those British Dominions which protested against their own exclusion from the inner circle. It is beyond dispute, for instance, that Canada has contributed much more to victory than has France, and for the immediate future at least—with which the London Conference was mainly concerned—is better equipped to exert authority in international affairs. It is equally plain that China, however admirable the tenacity of her people, has been only able to sustain the ordeals of war by the support of highly industrialized allies, and cannot for some time to come expect to play a principal part even in the wider concerns of Asia, let alone Europe. To us it may be apparent that these two great guardians of ancient civilization deserve their place in every world council by virtue of qualities independent of material power; but we have no right to be either surprised or indignant if the Russians, observing merely their comparative weakness in military resources, suppose that France is introduced into international councils as a client State of Great Britain, and China as a client of the United States. The consequent assump-

tion that the desire to include them betokens an ambition to drown the Soviet voice by weight of numbers may not be justifiable, but can be understood; and it is surely better that Great Britain, already speaking as advocate for the smaller Powers of her own Commonwealth, should be entrusted with the chief representation of French interests also than that the chance of harmony between the three great Powers should be allowed to go by.

Admittedly an agreement on the vexed question of membership of the inner circle would not automatically bridge the gulf that now separates the Soviet Union from the oceanic Powers. The division of Europe into two politically disparate halves has already gone deep, and threatens to go deeper. We cannot ignore, and we cannot for a long time expect to modify, Russia's evident determination to dominate the approaches to her vast Eurasian stronghold, and especially where it faces to the west. At the end of the second world war Russian aims are as fully determined by the overmastering need for security as were French aims at the end of the first. To western eyes it appears that the best guarantee of security lies, not in the self-sufficiency of a great land Power, however immense its territory and population, but in the intimate collaboration of all the great victorious Powers in so administering the peace settlement that German military strength can never revive. This reasoning has not yet convinced the rulers of Russia, as it did not convince France in the early days of the League. Whether we agree or disagree with the persistent French determination to control the Rhineland as the necessary means to security—some economic considerations against it are advanced elsewhere in this issue—we do not regard it as evidence of conspiracy against other Powers. France, we are accustomed to say, has been invaded three times in seventy years, and must be expected to have strong feelings in this matter. But Russia has been invaded three times within the memory of some of her own veterans still bearing arms; we may call it an error of judgment, but should not denounce it as political depravity, if she also insists on her own guarantees of her strategic frontiers.

It is true that the Soviet conception of these guarantees involves the erection of a barrier politically impenetrable, behind which flourish under Russian protection forms of government that are highly distasteful to liberal opinion in Great Britain and the United States. It is arguable that without Russian protection these totalitarian governments of the left would fall, though very far from certain that their successors would be notably more liberal. What Russian advocates point out with perfect legitimacy is that the western Powers themselves, when defining their foreign policy in regions where their vital interests are at stake, do not make a primary consideration of the particular régimes that may chance to grow up and flourish under their shield. British favour is extended to or withheld from governments that administer territory lying across the imperial highway through the Middle East on grounds little influenced by their conformity to the ideals of our own parliamentary system; the Salazar dictatorship enjoys the full benefits of the British alliance; and the Monroe Doctrine and the Good Neighbour Policy have made of Latin America, as Colonel Péron and others have discovered, a sanctuary in which principles little acceptable to the Fathers of

the American Constitution can be tested and applied. It is small wonder if Russians view with suspicion any claim to interfere with what they regard as the foundations of Russian security in the name of a Yugoslav or Bulgarian right to representative institutions on some ideal and universal pattern, which is not insisted upon in regions where the pressure of British and American power could if necessary be made paramount.

#### ESSENTIALS AND INESSENTIALS OF BRITISH POLICY

THE first need, therefore, in working for the restoration of mutual confidence between the three great Powers, is for Great Britain and the United States to recognize that the arguments advanced by the Russians in defence of the attitude they took up at Lancaster House proceed from honest conviction and do not mask any malicious design against Russia's associates. If that acknowledgement is frankly made, a considerable step will have been taken towards disarming the suspicion, ever present to the Russian mind, that Anglo-American collaboration is directed against the interests of the Soviet; and it may then be possible to convince the Russians that no disloyalty to the threefold alliance is implied by the particular principles on which each of the western Powers chooses to base its diplomatic attitude.

Of these principles those which are peculiarly American are not here in question. The principle on which Great Britain is most concerned to insist is her championship of the liberties of small nations. She has fought two German wars with this as her watchword. Not only is it the foundation of her moral right to a principal voice in settling the affairs of the world; it is cardinal to the material strength on which it has been agreed that the supreme direction of the international organization must rest. Only as a leader of smaller nations can this country now speak on equal terms with the vast continental aggregates of the American and Soviet federations.

Great Britain is primarily the leader and diplomatic representative of the small nations that are her own partners in the Commonwealth. An article in this issue of *THE ROUND TABLE* maintains against American criticism the right of this partnership to order itself as an economic entity without being accused of anti-American designs. It is equally necessary to vindicate against Russian criticism its right to act as a political unity in international affairs without being suspected of hostility to the Soviet. For it has become increasingly plain with the definition of the shape of post-war relations that the capacity of the Dominions to carry their proper weight in the councils of the great Powers depends largely on the capacity of delegations from the United Kingdom to speak with the authority of the whole Commonwealth. The complaint of Canada and Australia against their exclusion from the inner councils of the London Conference must command the sympathy of all who appreciate the great part they have played in the achievement of victory. The course the conference took, however, sufficiently demonstrates the impracticability of admitting them as separate entities on equal terms with the three great Powers. This example of tactical weakness in international affairs may yet have its influence in overcoming the distaste hitherto apparent in the Dominions for any development in Commonwealth organiza-

tion that could enable a combined imperial foreign policy to be formulated, and authoritatively represented in the counsels of the nations. Unless and until that constitutional advance is achieved, there is no practicable alternative to the appearance of Great Britain in the association of the great Powers as habitual advocate, though with incomplete credentials, for all the members of the Commonwealth.

There is little reason why the British diplomatic leadership in the Commonwealth should excite serious Russian distrust. It is, however, further essential to British policy that the claim of Great Britain to an informal leadership or trusteeship for small nations outside the Commonwealth, and especially in western Europe, shall be asserted and maintained. The general readiness of the small European nations to look primarily to British power for protection has been much enhanced by their experiences in the war; and for certain purposes even France must be grouped with them. To western eyes it appears now obvious that a main buttress of European peace must be a close association of Powers led by Great Britain, with France as second member, including the kingdoms of Scandinavia and the Low Countries, eventually perhaps Portugal and a liberalized Italy, and having an eastern outpost in Greece; with a powerful friend across the Atlantic, the degree of whose future interest in purely European affairs remains problematic. If there is resentment at the evident Russian tendency to regard such an association as an anti-Soviet *bloc*, it should be tempered by the recognition that British and American denunciations of the closed Russian system in eastern Europe are of very much the same order. Mr. Bevin, in the House of Commons on November 7, powerfully maintained that western Europe has as good a right as eastern to regional association. The argument is perfectly valid; but it is vital to the prospects of world peace that Great Britain and America acknowledge that the converse is equally true.

The obvious retort is, of course, that whereas the association of the western group is based upon respect for the liberty of small nations, and for liberal institutions within them, that of the eastern is being founded upon totalitarian systems, imposed by the overbearing influence of the dominant Power. It is impossible, without disloyalty to our own conception of liberty, whether individual or national, to deny the reality of this contrast; although the striking success of the Smallholders Party in the Hungarian general election goes to show that the element of Russian pressure has in at least one case been much exaggerated. The question, however, is whether it is vital that the general British championship of the right of small nations to representative government shall be extended to, say, Bulgaria (it is not extended to Argentina)—so vital that for that cause it is justifiable to imperil the collaboration of the three great Powers, and therefore ultimately world peace itself.

The charge that there is any bad faith in the Russian fostering in eastern Europe of political and economic systems consonant with Soviet ideas, or even subservient to Soviet policy, is surely untenable. It was in effect agreed at Yalta to accept the popular doctrine of the west that the war was being fought "for democracy". The drawback of making a battle-cry of this imposing



but now hopelessly ambiguous abstraction is that every nation enrolling under the general banner becomes practically bound, in loyalty to the cause, to describe its own system of government as "democratic". The Russians are perfectly honest in bestowing the name on their own totalitarian system, based avowedly on the interest rather than the free choice of the people, and exerting their power to extend similar systems to smaller nations that victory has brought within their sphere of influence. The conflict of view that has thus developed between them and the western Powers does not come of their disloyalty to the Yalta agreement, but of the international misfortune that two such different ideas were ever described—for the purpose of maintaining unity on the battlefield—by the same word.

Even if Great Britain and the United States had the power—which they have not—to require the displacement of the Communist and totalitarian governments in east Europe and their replacement by systems in conformity with western ideas of spontaneous creation by the national will, it is extremely doubtful if the majority vote would generate régimes that were any the less totalitarian. "Democracy and dictatorship are not opposites, or mortal enemies, but twin children of the great Revolution, and the reason why the English political system is immune from the tendency towards dictatorship is because it is not democratic in the full sense of the word, but rather liberal and aristocratic."\* Totalitarian democracy, government, that is, by the party successful at the polls with sole regard to the interest of its own members and in defiance of the rights of the defeated, is as real an evil as any other form of totalitarianism. We are well aware that it is the principal danger to be apprehended in, say, India, if British rule were to be withdrawn before adequate safeguards for the position of minorities had been provided by the agreement of all. It could come even in England, if the pronouncements of some Labour spokesmen in the heat of the general election, or in speculative print, were taken seriously after their assumption of the responsibilities of office. In the countries of eastern Europe, which do not possess the essentially aristocratic English tradition of mutual tolerance between parties holding different views of the means to attaining the same end of their country's welfare, it would be the almost certain consequence of insisting upon the adoption of Anglo-American representative forms. We cannot effectively befriend the small nations now dominated by the Soviet—even Poland, whose claim upon British advocacy is binding in a quite exceptional sense upon the national honour—by maintaining a quarrel with the Soviet Union upon this issue. The only hope of effectively propagating our notions of freedom beyond the river Elbe is to restore administrative collaboration with the Russians upon such terms as are obtainable, to proceed from that collaboration to obtain the free intercommunication of east and west, and to rely upon the inherent force of the political philosophy in which we believe to exercise its own persuasion.

\* Christopher Dawson, *Beyond Politics*.

# THE UNITED NATIONS AND THE ATOMIC BOMB

## NEW PHYSICS AND OLD POLITICS

THE free world, which in 1919 vainly pinned its hopes of a lasting peace upon the League of Nations, has in 1945 entrusted the same high purpose to a new body, the United Nations Organization, not in essence different from the old League. Both are systems of compact among sovereign states; both embody (though not in identical ways) the principle of *liberum veto*, which derives naturally from the concept of national sovereignty; and both seek to resolve the dilemma of equal status and vastly unequal power, which is also inherent in that concept, by an apparatus of general assembly and limited council, permanently including the physically great Powers.

The hopes of to-day are largely tempered with scepticism. The peoples have seen two world wars defy alike the reason and the humanity in man. Greater experience and wider education have shown them, more clearly than they were aware in 1919, the difficulties and complexities of international affairs. They realize that, where one League failed, another which copies it in general form may also follow it in final results.

Hope, however, is natural to mankind; and the very magnitude of the disaster which would accompany failure of the new attempt seems to have bred confidence in its success. If the hopes of the ordinary man could be rationalized, they would probably amount to a belief that the League failed, not through the inherent weakness of its structure, but through the failure of its principal members to make it work; and that to-day the members of the United Nations will be wiser than their predecessors of the League in their will to make it work to prevent world war.

Whether or not the structure of the League, or for that matter of the United Nations, was or is inherently capable of discharging the duties laid upon it, certainly the Organization, like the League, will work only if its members, and in particular *all* the subscribing Great Powers, choose to make it work. In the light of that fact, the main points of difference between the two compacts seem relatively unimportant. They may, however, have some bearing on the inherent ability of the structure to discharge its primary duties, and may even affect the readiness of member nations to pay the price of making it a success.

The United Nations Organization has the advantage over the League that it brings into one unit, in organic relationship with one another, the political, military, economic, colonial and judicial aspects of international relations. The Statute of the International Court of Justice, which is to be the "principal judicial organ of the United Nations", forms an integral part of the Charter (Article 92, cf. Article 14 of the Covenant). The Economic and Social Council, whose functions were considerably enlarged at the instance



of the Dominions and others at San Francisco, is to co-ordinate the activities of various specialized agencies such as the I.L.O., which under the League system were detached, but are now to be "brought into relationship with the United Nations under specific agreements" (Articles 57 and 63, cf. Article 23 of the Covenant). The Economic and Social Council and the Trusteeship Council, both of which are to make decisions by majority vote, are of equal formal status with the Security Council itself in the United Nations Organization, save that in regard to "strategic areas" the Trusteeship Council is in effect subordinate to the Security Council (cf. Article 22, para. 9 of the League Covenant, whereby the Mandates Commission was merely advisory to the Council). These changes are all in the direction of emphasizing the importance of the causes of war and the means of dealing with them, by contrast with the political and defensive apparatus for preventing war when the causes have already taken a grip. To this extent they are all to the good, although it remains true that if the Powers fail to agree on the political plane their agreement on the economic or colonial plane will be of little value; and indeed in that event such non-political agreement might actually be made more difficult by too close association between the political and economic or other machinery of co-operation.

#### TRUSTEESHIP IN THE NEW ORDER

THE trusteeship provisions of the United Nations Charter are of peculiar interest to the British Commonwealth. They go beyond the Mandates system in several respects besides that of the form and status of the Trusteeship Council which is to administer them. While inclusion of territories under the trusteeship system is voluntary, and the terms of trusteeship are to be agreed in each case by the States directly concerned, the options are wider than under the Mandates system of the League. Any non-self-governing territory may be included; and the administering authority may be one or more States of the United Nations Organization itself; indeed all functions of the United Nations relating to such parts of trusteeship territories as may be designated strategic areas are to be exercised by the Security Council. Condominia have been known in the past, and experience supports the common-sense reflection that responsibility for government cannot be divided; either one party is dominant (as in the Anglo-Egyptian Sudan) or there is persistent weakness and confusion. Geographical division is a different matter; and there is something to be said for having each of several Powers administer a geographical portion of a large trusteeship territory or group of territories, with possibly a joint council for common purposes. Complex or confused arrangements must be avoided; broadly the choice is between administration by a single Power, answerable to the Trusteeship Council, and administration directly under that Council itself, or possibly under a plenipotentiary executive committee. The world will advance from the "anarchy" of sovereign states to a more rational order only by experiment and trial, which must ever run the risk of error; and there is much to be said for an experiment in international administration in the colonial field.

The idea of governing "strategic areas" by the Security Council itself goes

deeper. It is linked with the idea of an "international police force" which has left some traces upon the Charter. Both ideas presuppose that the Security Council has a corporate character and power and can operate in matters of defence in a manner distinct from the actions of the constituent nations. Para. 1 of Article 43 reads as follows:

"All members of the United Nations, in order to contribute to the maintenance of international peace and security, undertake to make available to the Security Council, on its call and in accordance with a special agreement or agreements, armed forces, assistance, and facilities, including rights of passage, necessary for the purpose of maintaining international peace and security."

This has to be read with Article 43:

"In order to enable the United Nations to take urgent military measures, Members shall hold immediately available national air-force contingents for combined international enforcement action. The strength and degree of readiness of these contingents and plans for their combined action shall be determined, within the limits laid down in the special agreement or agreements referred to in Article 43, by the Security Council with the assistance of the Military Staff Committee."

The Military Staff Committee is to consist of the Chiefs of Staff of the permanent members of the Security Council or their representatives. While generally advisory to the Security Council, it is responsible, under the Council, for the strategic direction of any armed forces placed at the latter's disposal.

Here, on paper, is a big change from the League Covenant. The Security Council is to have "strategic areas" under its own authority, and armed forces "available on its call". Through a Military Staff Committee it is charged with the strategic direction of armed forces placed at its disposal. It is, on paper, a super-Power. But will it be so in fact? An international force without an international government, though a constitutional abortion, is a practical possibility in war-time (as experience with all our late Allies except the U.S.S.R. emphatically proves) because the fatal decision to fight has already been taken, the purpose is defined and agreed, and the need for unity is supreme. But those conditions do not hold good in peace, as experience even with the military occupation of enemy territories most lamentably illustrates. The so-called international force becomes an instrument of a non-existent international policy. Whether the national contingents will be forthcoming depends on national decisions taken *ad hoc*, in the light of previous general pledges but not without other motives. The decision to muster and employ the force is to be taken by a committee of Powers who may not be at one, and who cannot take a decision at all if one of their permanent members refuses to concur. The voting formula, which was based on the Yalta Agreement, lays down that (save on procedural matters where a majority of seven out of eleven Security Councillors can take a decision) any decision of the Security Council requires the affirmative vote of seven to include the concurring votes of all the permanent members—China, France, the U.S.S.R., the United Kingdom and the U.S.A.—provided only that in respect of the peaceful settlement of disputes by arbitration and so forth a party to the dispute shall abstain from voting. This formula means simply that the United

Nations Charter can work in respect of security if *all* those five great Powers agree, but otherwise will be wholly frustrated.

That is the deadly realism of national sovereignty. The Charter was about the best that could be made in the circumstances; but it reveals the condition of international anarchy that no charter or covenant can undo until a union government of the nations becomes possible. The very nakedness of the revelation is to the good, if it awakens mankind to the danger. A Charter, a compact of national States directed against war, is certainly better than nothing. If one great member nation departs from it, it can be a rallying point for the remainder. And it may be that if circumstances were to undermine the world organization, some strength and value could remain in the regional security arrangements which are expressly authorized and encouraged by the Charter, provided they are consistent with the purposes and principles of the United Nations: this is a definite improvement on the too universal system envisaged by the League Covenant.

#### THE LOGIC OF TOTAL WAR

It is against that background that we have to examine the problem of the atomic bomb, which was not known to most of those who framed the Charter at San Francisco, and which some people believe has rendered the security provisions of the Charter obsolete and worthless. The atomic bomb, however, is not a phenomenon on its own, suddenly appearing like a meteorite on the surface of human affairs, without relation to other processes of international life and death. It is, in the first place, but one of a series of scientific developments which have been immensely accelerated by war and harnessed to warlike purposes. The jet-propelled, stratospheric aeroplane and the radio-controlled rocket, for example, are of the same family, closely linked in past and potential action, and it would be useless to deal with one on a totally different basis from the others. The aeroplane itself is not only the necessary means, pending further development of the rocket, of launching the atomic bomb, but was the means before Hiroshima and Nagasaki of wreaking damage to life and property far exceeding in total that which was wrought by the two atomic bombs; when international control of aircraft was held neither possible nor necessary, the nations are not much more likely to decide otherwise about atomic energy.

In the second place, the atomic bomb is but the culmination, hitherto, of total warfare. Its use by the United States, with the concurrence of the United Kingdom, proves that they no less than Germany, from whom the doctrine originated, have adopted the complete logic of total war. Past protests against the inhumanity of submarine warfare, or of poison gas, or of indiscriminate air bombing, are as hollow as Hitler's victory speeches. If total war happens again, no holds are barred. If the atomic bomb is not used—as gas was not used in the war of 1939–45—no Great Power can complain if other means of destroying men, women and children are employed instead: for instance, long-distance rockets laden with gas or bacteria. The logic of total war remains the same. It is war that has to be controlled, not the atomic bomb. A would-be suicide is not prevented by merely taking away

his gun, when he has access to a razor or rope or the gas-oven; and if civilization is bent on suicide it will not be prevented by control of the atomic bomb alone. Indeed, there is something to be said for sudden death as the alternative to lingering torture such as we see in Europe to-day.

In the third place, the atomic bomb is the latest stage in the process of mechanization of war, which has two vital political consequences. It vastly increases the relative advantage both of the industrially advanced nations and of the aggressor who strikes first. It therefore focuses the world's peril upon the chance that one of the industrially advanced nations will become an aggressor, perceiving a likelihood of success in sudden action too devastating to be countered, in a vastly magnified Pearl Harbour raid designed to destroy at one blow the industrial potential of *all* likely enemies.

There are of course other possibilities also to be guarded against. Wars may start among nations which do not possess the atomic bomb or do not choose to employ it, perhaps because the ideological nature of the conflict debars its use; and may then involve other nations equipped with atomic bombs and less scrupulous in using them. Here too, however, the essence of the danger is the industrially great Power with a mind to strike the first blow in the hope that it will also be the last. It must not be forgotten that the last stages of the late war were a race in the development of the atomic bomb as well as rockets and other weapons: the Germans were known to be experimenting, and it was essential to beat them before they beat us—as they assuredly would if they had been six months ahead of us instead of six months and more behind us. The margin between victory and defeat in the war of the future—victory or defeat for the forces of order against the aggressor—may well be a time margin or a technical margin of the narrowest dimensions. It is vital to ensure that that margin is on the right side and will indeed be enough to deter the potential aggressor. The problem is the same as it ever was; only the instrument is different. There is no better nor worse case for “pooling” the secret of the atomic bomb—that is to say, the secret “know-how” of its manufacture, not the scientific secret, which is bound to become common property before long—than for pooling any other military secret. Military secrets do not remain secrets for ever; their value lies in enabling their possessors to be not a whole lap, but a few paces ahead of rivals at the critical moment; and the races of modern war may be won by a matter of inches. So long as the possibility of war remains, and so long as international order is based on national sovereignty and national force, secrets having a critical value in war will remain national property and will be disclosed only to those who can be identified with national policy. This may be a regrettable conclusion, but it is the surrounding condition, of potential war and national sovereignty, that is at fault, and nothing is gained by dealing piecemeal with particular military secrets, whether related to atomic energy or jet propulsion or anything else.

Nor is there available any better mechanism for international control of atomic energy than there is for international control of aircraft or explosives or any other potential weapons. The Security Council of the United Nations is not a government nor has it the powers or personnel of a government.

It is a conclave of sovereign states which is expressly debarred from taking decisions on anything except procedure without the assent of all the great Powers among them. In order to exercise continuous control over the use of atomic energy, or over other mechanical instruments of war and of peace, it would need, first, a rule of procedure enabling it to take decisions on all matters—that is to say, the rule of simple majority; secondly, a body of expert scientific, engineering and military advisers and inspectors; thirdly, its own means of enforcing its decisions against objecting States—that is to say, an international police force in the true sense; and, finally, its own sources of finance to pay for its inspectorate, its air forces and the rest. If the Security Council had all those things it would be a world government, and it could exist as such only with the support of a world parliament and a world electorate.\*

To attain a world government by union of nations for agreed common purposes, such as the prevention of war and the control of instruments of war, is the ideal objective. It is well that the advent of the atomic bomb has made an increasing number of people demand the realization of the ideal here and now. But the ideal has not yet been realized. Just as the atomic bomb re-emphasizes, with a hideous under-score of threat to civilization, the need for world union, so in default of world union it re-emphasizes equally the imperative importance of those policies which are the practical second-best in the conditions of to-day: to make the United Nations organization work as best we can; to remove or mitigate the economic and social evils that erupt in war; to educate the people everywhere in the truth of international affairs and the desirability of the ultimate ideal of world union; to get some form of union where we can among such peace-loving nations as see the immediate need for it; to keep the closest friendship and understanding between the British Commonwealth and the United States, who together can preserve world order with the aid of others like France and the smaller nations of like mind with them; to maintain the utmost singleness of policy and action among the nations of the Commonwealth themselves, who have so much to gain from unity, so much to lose from separateness; and to see that at all times, and in all the instruments of power, the strength of the British Commonwealth, so united, is equal to its dangers, its responsibilities and its capacity to contribute to world order. For it is war that is the enemy, not the mechanical means of warfare, and until we get union, war can be defeated only by making it manifestly futile for those who might dream of launching it in the future.

\* An important view is that of Mr. Lionel Curtis, who writes in the Preface to the second edition of *World War: its Cause and Cure*: "Don't let us waste our time and energy on discussing, at this stage, how we are to prevent the construction of atomic factories in various parts of the world. If you have some great and baffling task to perform, the first step is to consider how you can create some organ equipped with the greatest possible power to discharge that task. Let the most experienced democracies first create some joint authority and equip it with all the power they command to provide the security they need. They cannot do more than that, and will do less at their peril. Having done so much they can then leave that authority to exercise the power they have given it to solve the problem as best it can."



## THE FOURTH REPUBLIC

### FROM ELECTIONS TO CONSTITUTION IN FRANCE

FRENCH political practice underwent a revolution when at the general election on October 21 voters (who for the first time included the women) made up their minds in favour of three main groups instead of, as so often in the past, diffusing their suffrages among a host of palsied splinter parties capable of endless intrigue and manoeuvre but of little effective action. It seemed as though the French were at long last adapting themselves to something like the British parliamentary system with its two or three major parties. This is not the only way in which Great Britain has influenced France; but it is significant and reassuring. Closer analysis of the final figures shows that the defeated parties and groups polled together an appreciable mass of votes, but that does not affect the general conclusion that opinion has consolidated itself round three large parties, the Communist, the Socialist and the *Mouvement Républicain Populaire*, who among them share something like 80 per cent of the votes cast. It was to a combination of these—"The Big Three" as they are now popularly called in Paris—that on the morrow of the battle General de Gaulle had to look to provide France with a new Government and a working majority in the new Parliament.

First a word or two about General de Gaulle himself. Simultaneously with the holding of the general election a referendum took place in which the people were required to answer two questions relating to the procedure (although principle was involved also) to be adopted in drawing up the Constitution. The questions and the answers to them will be discussed later. Here it needs to be explained that the Communists and some others condemned the referendum because there was a danger of its being regarded as a plebiscite for or against General de Gaulle. There is every reason to suppose that he never had any such intention in his mind when the referendum was decided on; but none the less he sponsored the referendum, and in a broadcast on the eve of the election he told French men and women how "from my heart" he hoped they would vote. Thus, in addition to constitutional procedure, the electors were in effect asked to pass a national vote of confidence or no confidence in General de Gaulle. The result was impressive. On the first question the majority was overwhelmingly in his favour—about 96 per cent. On the much more hotly disputed second question he had a majority—both comfortable and comforting—of two to one. The figures showed that the nation was not prepared at this stage to withdraw its trust from the leader who rallied France when her cause seemed lost and who raised her to worthy rank from the low state to which misfortune and worse had brought her.

The two questions electors were asked to answer at the referendum were all-important. The first was whether they favoured a Constituent Assembly as the instrument to draft the Constitution. The only substantial party to

advise electors to reply "No" was the Socialist Radical, led by M. Herriot and M. Daladier. From the moment the constitutional issue was raised M. Herriot argued strongly but forlornly for a return to the Constitution of 1875; in other words, that in place of a single Constituent Assembly there should be a Chamber and a Senate which, sitting together at Versailles, would form a National Assembly to draw up the Constitution. This course the electors decisively—indeed, almost derisively—rejected.<sup>1</sup> The second question was more controversial and the answer less certain. Electors were invited to say whether they were in favour of investing the Constituent Assembly with limited and not sovereign powers. The Government's proposals were set out on the back of the referendum voting papers. They provided that the new Head of the Government should be appointed by the Assembly and that he should choose his Ministers and submit their names to it for approval; that the rejection of a Bill or credit should not entail the Government's resignation, which could be brought about only by a direct vote of censure tabled two days in advance; that the Assembly should vote the Budget but could not initiate expenditure; that the Assembly should complete its task of framing the Constitution within seven months and that if it had not done so by then a new Assembly should be elected; and, finally, that the Constitution should be submitted to a second referendum one month after being accepted by the Assembly.

As the campaign developed election and referendum merged inevitably into one great debate. The Communists urged "No" to the second question because (they felt) the Government's proposals left dangerously much power to General de Gaulle and because they wanted a sovereign assembly—sovereign even to the extent of prolonging its own existence beyond the prescribed seven months. They found strange allies in the Socialist Radicals. The alliance was to cost the Socialist Radicals dear. The party in any case was losing its hold on the new generation of electors; and, moreover, it was perhaps unduly prejudiced by its association, through M. Daladier, with the policy of Munich. When it ranged itself for electoral tactics at the side of the Communists many men and women were bewildered and some were shocked. In the result the Socialist Radicals suffered almost complete eclipse; M. Daladier lost his seat; and the veteran M. Herriot remained to lead the rump of a once powerful party. Although they polled some 1,115,000 votes, the Socialist Radicals—who are neither Socialists nor Radicals but rather hard-boiled Conservatives—have clearly failed to respond to the changing mood and needs of the France of to-day. Their recovery is remote.

#### THE TRIANGLE OF PARTIES

THE Socialist Radicals lost by the alliance; the Communists gained. With 150 seats in an Assembly of 586 representatives, they emerge for the first time in France as the largest single party in the State. Their rise is portentous, but not astonishing. The reasons for success are fairly clear. They have a highly organized party machine which never rests; a discipline, a drive and an enthusiasm which command respect as well as votes; and a leadership long schooled in tactics and popular appeal. In the great industrial centres they



have won over to their ranks many supporters of the more cautious Socialist Party. Every public grievance is for them a piece of propaganda. Above all, they represent a purpose and they have a policy, and these at a time when men and women are seeking a way of advance have proved an inestimable advantage. The Communists thus gained both from their alliance with the Socialist Radicals and by defections from the Socialists. They might have gained still more strength from the general body of electors if they had not contrived to give the impression that in their attitude to foreign affairs they listened to Moscow rather than to Paris.

The Socialists won fewer seats than the Communists, although their total of votes was not so disparate. It is no secret that the party leaders hoped for a more impressive showing. M. Léon Blum (who did not stand as a candidate) directed the campaign with skill, good humour and assurance. The result disappointed him, and doubtless General de Gaulle too. The party, enjoying in many ways his sympathy or interest, ought to have done better than it did. Its failure to emulate the achievement of the Labour Party in Great Britain, to which it approximates, is something of a mystery. A satisfactory explanation has not yet been supplied. There is less doubt about the reasons for the success of the third major party, the *Mouvement Républicain Populaire*. It is said that M.R.P. draws its support from the Right. This is true only to an extent, and perhaps not to any marked extent. The old parties as a whole (M. Louis Marin's always excepted) have not a good record in the war, and in any case they were futile, much too numerous and outmoded. If those among the common people who had traditionally voted for them in the past came to the conclusion that it was pointless to go on doing so any longer, then this must redound to their credit and common sense. It would misrepresent M.R.P. totally, however, to suppose that at bottom it is conservative and reactionary; notwithstanding that the newspaper *Front National* has bitterly said, *Les hommes du Comité des Forges veulent faire rentrer leur "Cheval de Troie"*. On the contrary, it is as progressive as it is aggressive. Drawing its inspiration from the Resistance, it has trusted leaders in such men as Monsieur Georges Bidault and Monsieur Maurice Schumann, who served France and freedom so faithfully during the war. It is Catholic and therefore may be exposed to the suspicions, criticisms and hostility of the surviving forces of anti-clericalism, although whether anti-clericalism is to-day the rallying cry that it was in another generation is problematical. M.R.P.'s Catholicism is of the newer school (not confined to France) which is crusading for wide readjustments in society. Thus in its social and economic policy M.R.P. stands near—in fact very near—to the Socialist Party. As a young movement it appeals to the youth of both sexes. As a party which seeks to renew the spirit of the Resistance, it expresses much of the better mood of France.

The return of religion to active politics is significant. It is thought that the women's vote helps to explain at least in part the remarkable rise of M.R.P. The hold of the Church is still strong, especially in the country districts; and Paris is no more France than London is England. Large numbers of the younger priests sympathize with the movement for reform. Many openly avow and support it. In the new Government of the new France, Catholicism

will have its place and part. At the time this message is being written the prospects are that General de Gaulle's first Administration in the full sense will be a coalition of Communists, Socialists and M.R.P., united on the programme of the National Resistance Council. This body was formed early in 1944 when the enemy still occupied the country, and its policy provides for such fundamental changes as the freeing of the economic life of the country from the "barons" of finance; nationalization; social security; the rights of labour; the association of the workers with the management and control of enterprises. It has to be remembered, however, that the life of the Constituent Assembly is one of only seven months and that General de Gaulle—if, as is assumed, he is again Head of the Government\*—is likely to advise no more than a limited programme for what after all is an interim period. The overriding task of the Assembly must be the drawing up of the Constitution, and this will tax its time not less than its sense of responsibility and statesmanship. Clearly, it will not be easy to reach agreement on, for example, whether the future Legislature shall be unicameral or bicameral; on whether there shall be both a Head of the Government and a President of the Republic, or whether the two offices shall be combined in one as under the provisional régime now passing to its demise.

#### FRANCE AND EUROPE

NOR will matters be easier in foreign affairs. General de Gaulle has stated his policy frankly. It is based on two main conditions: (1) That the Rhineland shall be a separate territory under military (presumably French) government and the Rhine itself internationalized; and (2) that the Ruhr shall be put under Allied control. If enforced, such a policy means that the Reich as a unity has gone for good. Complementary is General de Gaulle's proposal for a western community—or "a western family" as Monsieur Blum prefers to call it—embracing all those countries whose safety may be threatened by a restored Germany and whose economic interests are involved in the industries of western Germany. The policy commands the support of probably 75 per cent of the French people, and is seriously opposed only by the Communists, who see in it the formation of a "western bloc", a phrase General de Gaulle has never used, designed to offset the eastern bloc within the Russian orbit. A first step to the realization of the plan would be an alliance between Great Britain and France. Such an alliance is ardently desired by the French. Negotiations, however, proceed slowly, and will continue to do so until the Syrian sore has been got rid of.

The next seven months will be critical. The winter has come. France has made substantial progress since liberation, and she is standing on her feet again. Many difficulties remain. If in the coming months there are food and fuel in the homes and power and raw materials in the factories, then the future is safer. If these things are lacking, then the future is obscure and in a way frightening. This is very much a period of transition. Large-scale

\* General de Gaulle was elected Head of the Government by a vote of the Assembly, *nemine contradicente*, on November 13, and has since, after an apparent deadlock, formed a Government representing the three main parties.—*Editor*.

changes require to be made before French men and women can feel that they have embarked on a settled course. Politically, they have made their choice. Economically, they have still to do so. Here in Paris the black market is all-pervading. It is a common saying that every one is involved in it. Even the doctor has to resort to it for the drugs and medicines which the sick and the dying need. Hardly worse, even the State has to buy some of its necessary requirements in the black market. This "slow stain" has contaminated many people in all classes. Whether it has undermined the essential qualities of the nation none can or dare say. There it is, however, and it needs to be combated.

#### THE LAVAL TRIAL

IN this scene of France to-day, the Laval trial has its own place. The handling of it was unbelievably bad—by British standards outrageously so. That Laval was condemned in the eyes of the nation before he was ever brought into court was understandable. The indictment against him was overwhelming. His collaboration with the enemy was shameless, his wish for a German victory publicly proclaimed. He made himself responsible for sending hundreds of thousands of his compatriots to the slave camps of the Reich. He was silent before the horror of Oradour. He served Germany only too well and France only too ill. Even a bad man, however, deserves a good trial. Laval was accorded a trial which shocked most of those who witnessed it. There was first the suspicion that the preliminary examination was not adequate and that Laval was not given reasonable facilities to prepare his defence. One dramatic moment in court was when his counsel, white-faced and taut, passionately protested against the inadequacy of the opportunities granted to the defence. It has to be recorded that the Bar took the stand expected of it and was both distressed and disturbed by the way in which the prisoner was prejudiced and prejudged. The British public were no doubt as pained as those who attended the trial by the utter lack of decorum and fair play. If the Laval case were the sign manual and standard of the Fourth Republic, the prospects would be gloomy and grim. It was, however, only an episode which the French will forget and for which they will yet atone.

Paris,

October 27, 1945.

## GERMANY UNDER ALLIED CONTROL. II

### AN ECONOMIC STUDY OF THE POTSDAM PLAN

PLANNING for the occupation and control of Germany started over a year before her final collapse with the establishment of the European Advisory Commission. At that time victory was still clearly many months ahead and it was natural therefore that the planners should work on the assumption that Germany would surrender before being completely overrun by the Allied armies. In the event conditions turned out very differently; instead of finding an administrative machine more or less intact the Allies were confronted with a Germany in complete chaos. From one angle this was good; it is easier to rebuild a house from its foundations than entirely to alter its structure while keeping the main fabric intact. But for the rapid recovery of Europe it was disastrous, particularly in the economic field.

There was no possibility of arresting the decline—it had gone too far for that—and until some order had been introduced there could be no question of putting into effect the Agreement on the Machinery of Control, which provided that the supreme authority in Germany should be exercised jointly in matters affecting Germany as a whole by the four commanders-in-chief, acting in their capacity as members of the Control Council. The first action taken by Military Government therefore was gradually to build up out of the numbers of small island states that existed throughout Germany larger units of administration, until eventually there should emerge fully fledged provincial or State administrations capable of undertaking the normal functions of local government. This was no easy task, since railways, rivers and inland waterways were completely disorganized by the combined effects of Allied bombing and German demolitions, while road transport was equally disrupted owing to scarcity of vehicles. With no centralized system of tax collection it was necessary to improvise methods of meeting local expenditure. Food rationing had to be organized, public utilities repaired, and labour set to work on clearance of bomb damage and repair of houses. The way in which this was done varied from district to district, and this entailed the further responsibility of gradually welding together into a homogeneous whole this strange assortment of *ad hoc* administrative units. To add to the difficulties roads and villages were thronged with foreign workers returning to their homes, evacuated Germans searching for their families and hordes of *Wehrmacht* prisoners, while between the borders of the British and American zones Allied troop movements were taking place as the two armies adjusted their positions to conform to the zonal boundaries. The work had to be done quickly because Allied manpower was not available in sufficient quantities to undertake the direct responsibilities of administration; indirect control of Germans was necessary and this meant building up a German organization. At the same time the

pace could not be quickened beyond a certain point, since Allied policy demanded the elimination of all Germans who had more than a nominal connexion with the Nazi party, and efficient substitutes were difficult to find.

In these circumstances it is hardly surprising that it was not until nearly three months after Germany's surrender that the Control Council held its first meeting in Berlin, and that it was only at the Potsdam Conference that the Big Three announced "the political and economic principles to govern the treatment of Germany in the initial control period". Indeed it is to the greatest credit of the Military Government detachments of the armies of occupation that they should have achieved in so short a period such a degree of order out of the initial chaos as to make it even conceivable to treat Germany as a single unit.

The declaration of Allied economic policy towards Germany can be divided into (a) future administrative machinery (German and Allied), and (b) the future structure of German economy. The most important announcements under (a) are to be found in Article 9 (iv) of the Political Principles and Articles 12, 14 and 16 of the Economic Principles. Articles 11, 13, 15, 17 and 19 of the Economic Principles and the statement on Reparations from Germany provide the clue to the future structure of German economy. The statement in regard to the western frontier of Poland has also an important bearing on both points.

#### THE PROBLEM OF INDUSTRIAL CONCENTRATION

THE first group of articles referred to above can be summarized as follows. The Three Powers agreed that during the initial control period Germany should be regarded as consisting of the territory of the 1937 Germany less the area lying east of the Oder—Western-Neisse line. Its administration would be decentralized. For the time being it would have no central government of its own, but certain essential administrative functions would be carried out by administrative departments headed by German State Secretaries. These departments, which would act under the directions of the Control Council, would cover in particular finance, transport, communications, foreign trade and industry. The Allies would agree on common policies in all the principal fields of economic life; and these policies would be carried out by Germany, which would be required to accept full responsibility for the administration of the controls necessary to put them into effect. It is clear from this that at Potsdam at any rate there was no thought, apart from the cession of territory to Poland, of the truncation or dismemberment of Germany. On the contrary, the Three Powers clearly envisaged a single state, decentralized—perhaps ultimately on federal lines—but with an eventual central Government of its own. They even, though perhaps unwittingly, went a little farther than this, for they also announced that "the excessive concentration of economic power, as exemplified by cartels, syndicates, trusts and other monopolistic arrangements" should be eliminated. At first sight this appears to be nothing more than an attempt to break down into smaller groups such large industrial complexes as I. G. Farben, Krupps and the Hermann Goering Werke. But the means by which this can be



accomplished are difficult and deserve further examination. In Germany, unlike England, there is no middle class which is traditionally interested in investing its savings in the ordinary shares of small undertakings and accepting the responsibility that that entails. The inflation after the last war killed the majority of the small *rentiers*; and for many years there has been a strong tendency in Germany, which was deliberately encouraged by the Nazis, to concentrate the ownership of industry into fewer and fewer hands. The German banks, which always had substantial interests in industry, assisted in this development. It is difficult to see how large concentrations of economic power can be broken down in Germany if there is no means of distributing the shares of large enterprises like those mentioned above, which covered by interlocking shareholdings so large a field of industry, that they have become the very epitome of monopolistic arrangements. It would therefore appear that some form of public ownership of industry or a large part of industry will result, though care will have to be exercised that government or provincial controlled concentrations of economic power do not become even more dangerous than they would have done had they remained in private hands. So we have from this part of the Potsdam Agreement a quite clear and coherent picture of a single German State, decentralized in many respects, but with a centralized control of finance, transport, communications, foreign trade and industry.

The Potsdam pronouncements on the future structure of Germany's economy are of two sorts, negative and positive. On the negative side they provide for the complete elimination of the aircraft and shipbuilding industries, the drastic restriction of Germany's metallurgical, chemical and engineering industries, the limitation of Germany's living standards to the average standards of European countries (i.e. all European countries except the United Kingdom and the U.S.S.R.) and the control by the Allies of German economic and financial transactions and of all research organizations, in order to prevent her from developing a war potential. On the positive side German agriculture and peaceful domestic industries are to be encouraged, and Germany is to be left sufficient economic resources, equitably distributed throughout the country, to pay for the imports necessary to sustain her approved standard of living. In addition measures are to be promptly taken to repair transport, housing and utilities, and to maximize agricultural and coal production.

To obtain a clear idea of the meaning of these statements of policy it is necessary first to consider Germany's pre-war economy. Germany is not rich in natural resources. Apart from coal, potash and timber she was a small producer of raw materials; and in spite of her magnificent forests she consumed more timber than the annual growth of her trees. Notwithstanding extensive development between the wars she was not self-supporting in foodstuffs. She depended for her comparatively high standard of living on the intensive development of her steel, engineering and chemical industries (which together provided 60 per cent of her total export trade), and the traditional skill and hard work of her population. Since 1933, when the Nazis came into power, serious efforts were made to reduce her dependence

on imports, particularly those derived from far distant sources, by the development of synthetic industries, of which the most important were oil, rubber and staple fibre.

#### POPULATION AND EMPLOYMENT

THE cession of territory to Poland deprives her not only of the important coal and heavy industrial production of Upper Silesia, but also of 20 per cent of her total territory and nearly 25 per cent of her agricultural territory. But it will not entail a corresponding loss of population. On the contrary, besides having to absorb into a reduced area the ten million Germans who lived east of the Oder—Western—Neisse line she will have to find space for nearly another five million Germans from the Baltic States, Czechoslovakia and central and south-eastern Europe. On the other side of the balance sheet deductions must be made for military and civilian casualties from war causes, but even so it looks as if the total population of Rump Germany will be 10 to 12, and the working population 5 to 6 million higher than it was before the war. If Germany's metallurgical, chemical and engineering industries are to be drastically reduced for security reasons, to what occupations can the latter be drafted? The only answer appears to be agriculture and consumer-goods industries.

Agriculture, as has already been mentioned, has been extensively developed during the last twelve years, with the result that the density of agricultural population is appreciably higher than the average for Europe as a whole. Some of this population has been killed during the war, and some of it has always consisted of foreign workers, who will now, presumably, return to their own homes. The breaking up of the larger estates may find work for some of the transferred workers; but this cannot be accomplished quickly, since it will entail an extensive house-building and land-drainage programme. The best that can reasonably be hoped for is for the reduced Germany to employ on the land the same numbers as were employed in the whole of the *Altreich* before the war. As regards the consumer-goods industries, some expansion is possible; but if Germany's standard of living is to be reduced to an average European standard, internal consumption will decline and the upper limit for any expansion in the capacity of these industries will be dictated by the exports that Germany must make to pay for essential imports. One is thus drawn to the inescapable conclusion that this part of the Potsdam Agreement will mean heavy structural unemployment in Germany amounting perhaps to as much as 3 to 4 million persons.

To say this is not a criticism of the Potsdam Agreement. On the contrary, when one considers the complexity of the problems with which the Three Powers were faced, their solution does not seem unreasonable. Security from future German aggression is the dominant theme of the economic principles, and there is every reason why there should be a substantial reduction in the capacity of Germany's principal war-important industries, which had been developed to a point far beyond her normal peace-time needs. There is also every justification for a reduction in Germany's standard of living, which before the war was substantially higher than that of many of the surrounding



countries. It would be less than justice if Germany were to come out of the war better off than her conquerors; and Russia in particular is entitled to receive, by way of reparations, considerable quantities of plant and equipment to replace those that Germany has destroyed and to improve the lot of her own population, which has sacrificed so much in the preparation for and prosecution of the war.

But a highly industrialized country cannot without serious social consequences be dis-industrialized by reducing its living space; and a settlement with Germany which resulted in the permanent unemployment of a large proportion of her working population would hold out little prospects of achieving conditions in Europe that would make for permanent peace. It may therefore be hoped that the security and reparations announcements of Potsdam were part of a short-term programme, as is indeed suggested by the title to the relevant clauses, which states that they are to cover the *initial* control period. What is envisaged, it would seem, is a short, sharp surgical operation—the removal of plant and equipment is to be completed within two years—followed by a period of convalescence. During this first period a temporary cure for unemployment may be sought in the clearing up of devastated cities and the rebuilding of houses. Thereafter a gradual increase in industrial capacity will be permitted, and Germany's standard of living will be allowed to rise proportionately to the level in the neighbouring countries. But Germany cannot be left to develop her economy as she pleases. Care must be taken to see that in future there is less emphasis on heavy industries, so important for war purposes, and a better balance than in the past between these and the consumer industries. To persuade the Germans that butter is preferable to guns is a matter of education, and will entail the occupation of Germany for a long period, perhaps a generation.

#### FRENCH SECURITY AND GERMAN ECONOMY

So much for the implications of the Potsdam Plan, but what has actually happened in Germany since Potsdam? There are indications that some headway has been made on the negative side of the proposals (removal of plant and equipment, breaking up of combines, &c.), but that apart from strenuous efforts to maximize coal and food production and to repair transport and housing little progress has been made on the positive side. The central administrative departments for finance, transport, communications, foreign trade and industry, which were to have been formed with German State Secretaries at their head and under the direction of the Control Council, have not materialized. It appears that, while Britain, America and Russia have been pressing for this, the French are opposing it on the grounds that to set up now administrative departments with jurisdiction over the whole of Germany would prejudice the separation of the Ruhr and the Rhineland from the rest of Germany, which they regard as essential on security grounds. In the Agreement on the Machinery of Control in Germany it was laid down that the decisions of the Control Council must be reached by the unanimous vote of all four members. French opposition therefore means that this part of the Potsdam plan cannot yet be implemented.

This is an unfortunate development, not only because of the importance of maintaining Allied unity, but also because the continuance of the present system of zonal administrations which vary from zone to zone may seriously affect our ability to get through the coming winter without disaster. The chief difficulties with which Germany is faced at the present time are the low level of coal production, the inadequacy of transport, the lack of food and the fear of inflation. All these are interconnected. Coal production depends on the level of miners' rations; food production depends on supplies of fertilizers, the production of which depends on coal. Unless transport facilities can be restored the coal cannot be moved and the food cannot be distributed. And restoration of transport means the repair of bridges, locomotives and rolling-stock, for all of which steel is required; and this cannot be produced without coal. Lack of food also affects the productivity of labour, with the result that costs tend to exceed selling prices. But if selling prices are raised there is a danger that there will be a demand for higher wages and that the inflationary spiral will start. Apart from the small quantities of rationed goods, which are sold at controlled prices, the mark to-day has no value; and this increases the difficulties of ensuring that Germany makes the best use of her own resources by maximizing the collection of foodstuffs off farms and preventing the hoarding of consumer goods.

In spite of this gloomy picture the position is by no means hopeless. The fact that bank deposits are increasing and that rationed goods are being sold at controlled prices suggests that the German people are still inherently well disciplined and would respond readily to a firm and wise leadership. But the problem is too great to be dealt with in a piecemeal fashion, with different remedies applied to meet the same set of conditions in each of the four zones. Some centralized administrative machine run by Germans under Allied direction is essential, particularly in the case of finance, transport and communications. In all these three fields a unified system alone can obtain the best results; and, even if it is too late now for them to have any decisive effects on the battle of this winter, the longer they are in existence the better are the hopes of seeing a real revival next winter in Europe as a whole.

It is therefore to be hoped that the present differences between the French and the three Powers represented on the Control Council will be rapidly resolved. The security aspects of the problem with which the French are very naturally concerned do not arise so long as the whole of Germany remains under Allied occupation and control. It is in any case by no means sure that the separation of the Rhineland and the Ruhr, which might have been the right method of preventing aggression after the last war, is necessarily the right step to-day. Separation which deprives Germany of its richest remaining industrial area would add immeasurably to the difficulties of finding employment for the Germans transferred from ceded territories. Indeed, with the high degree of dis-industrialization which will take place in the Ruhr as a result of the Potsdam reparation plan, transfers to the Rump State might be necessary from the West as well as the East. In these circumstances there is a danger that the Rump Germany would develop into a vast depressed area and a constant danger to economic stability in Europe.

# THE EMPIRE AND THE MIDDLE EAST

## TRANSITION FROM STRATEGY TO POLITICS

IT is well for the British Empire that in the war just ended there were no "Eastern" and "Western" schools of strategy, the latter, as in 1914-18, constantly undervaluing the importance of all but the Western front. In his book *The Palestine Campaigns*, Lord Wavell explains authoritatively how even in 1914-18 the front against Germany was in truth continuous. In the late war no responsible person was sufficiently misguided to think otherwise. From May, 1940, when Mr. Churchill became Prime Minister, through all the agonizing months in which the Empire stood alone, the war in Europe, Middle East and Asia was treated as a whole, and the vital importance of the Middle Eastern theatre was never for one moment minimized or overlaid. It was not for nothing that the only armoured division which Britain then possessed was sent from England to Egypt in the autumn of 1940, when England's peril from invasion was at its worst. The tide of war first turned, moreover, against Germany with the British victory at Alamein, a battle as fateful in the history of mankind as that of Stalingrad and prior to it by a very short interval of time. Both victories were decisive. The one arrested the drive northwards and eastwards from the south; the other the drive southwards and eastwards from the north. No one will ever be able to say which was the more important, only that the victory at Alamein came first. That victory was won by troops from many parts of the Empire, west, south and east. It was therefore symbolical of the Empire's wide-ranging interest in the Middle Eastern theatre.

It is, however, doubtful whether our new Parliament yet realizes how vital to us is our standing in the Middle East—in the strategy of peace no less than war. The method changes. Persuasion, diplomacy and character take the place of force. But the makers of policy must never forget that while we do not ourselves wish or need to dominate the Middle East, we cannot afford to let it be dominated by any other Power, because its freedom and friendship are necessary to our own freedom, security and peace. There are both material and moral reasons for this. On the material plane the friendship and freedom of the Middle Eastern peoples are essential to us because the domination of their countries by an unfriendly Power or group of Powers would divide the western, southern and eastern peoples of the Empire from each other, and also because the region contains an indispensable reservoir of one of the main requisites of modern life—lubricating and propellent oil. Morally its friendship and freedom are essential to us because the Empire would have lost its main justification and source of moral power if it proved unable to establish a true partnership with the Arab peoples, who need and wish for our friendship and help. It is therefore no rhetorical flourish to say that the standing and security of the Empire in the post-war world will very largely depend upon the quality of its statesmanship in the Middle East. The United States claims primacy throughout the

American continent. Russia claims it along a wide glacis of European States marching with her western boundaries. If we cannot maintain a similar primacy between the Euphrates and the Nile, the cohesion of the Empire will be lost. But it must be a moral primacy which claims no more than the right of standing first among the European Powers in relation to the Middle East. This is certainly no more than the United States and Russia are claiming in what they firmly proclaim as their own spheres of influence. As regards the Arab peoples, on the other hand, it must base itself upon a true and equal partnership of aims and interests, not on the possession of overriding force. Failing it, the security and moral standing of the British Empire will sink into the overdrifting sand which has swallowed so many empires in that ancient region where our civilization first came to birth.

Well, then, for us that by 1939 we had recovered the loyalty and friendship of the Arab peoples. Well that they stood firmly with us, despite the power and the promises of our two enemies, in the 1940-42 crisis of the war. Well that we sent to Egypt of our best armour, even in an hour of mortal peril when the safety of our own island-base was in daily jeopardy. Well, too, that Hitler's distribution and use of his enormous forces was less well conceived than ours, with far less to dispose. Britain has proved herself a true friend of the Arab peoples, and they true friends of hers. In that mutual friendship the welfare and security of both are equally involved.

#### THE UNITY OF THE ARAB WORLD

THE task of maintaining and developing it is not, however, simple. In the first place, the critical importance to us of our relations with the Arab world has never yet been adequately appreciated by the British public or by Parliament, despite the part those relations have played in two World Wars. Secondly, our Middle Eastern policy has always been, and still is, gravely complicated by our relations with other great Western Powers. Thirdly, the interest of newspaper readers and Parliament tends to pass from one Middle Eastern territory to another without realizing that in fact they form a regional whole. Prominently as Palestine figures on the stage of international affairs to-day, it is only a few weeks since Syria and the Lebanon had all the headlines; and if British policy were badly handled, the papers might soon be as full of Egypt or Iraq. If the Palestine question brings us into difficulty with America, the Syrian question brings us into difficulty with France. But all these problems are interbound; and the Empire cannot afford to allow its relations with the Arab world to be seriously prejudiced by any other international interest, as it did after the first World War, nor to forget that the Arab revival, with its growing sense of cultural and political unity, has transformed the Middle Eastern stage to our great advantage in the past thirty years. It is a fact of great significance to us that the Arab world is now most vigorously alive and more closely knit than at any time since its great awakening and expansion in the first centuries of Islam. It is also a fact that our fortunes have been closely tied to it ever since, with the strength and support we gave, it enabled us to win the Middle Eastern campaigns of 1914-18. Had the Sultan of Turkey's call as Caliph to all Moslems to combine

in a *jihad* against the Western Allies, issued when Turkey entered the war against us at the end of 1914, met with the response which the Turkish leaders and their German friends confidently expected in Egypt, Syria and Arabia, we should undoubtedly have lost control of our Mediterranean line of communication through the Suez Canal. Great efforts were made by our enemies to rouse the Moslem world, the Prophet's standard being borne with elaborate ceremony from Damascus to Jerusalem and laid to rest in the Dome of the Rock pending the advance into Egypt, which was awaited with confidence. But the demonstrations missed fire, and the call to a *jihad* failed.

A good beginning—but not, until to-day, a sequence of which we can in all respects be proud. It would take a work of many volumes to recount, examine and explain the tortuous story of British and European diplomacy from the Sykes-Picot Agreement of 1916 to the Balfour Declaration of 1917 and thence into the complex bargainings which culminated in the partition of the Fertile Crescent at the San Remo Conference of 1920. The truth, however, is that many of the engagements made in the course of the war and the entire settlement which followed it were inconsistent with undertakings given to the Arab movement both at the outset of the Arab revolt, throughout its subsequent course, and even more pre-eminently when victory had crowned our arms. Whatever glosses we may subsequently have put upon our pronouncements, there is no doubt about the belief which they instilled, and which we intended them to instil, in the Arab world. Here, for instance, are the two main paragraphs of the Joint Anglo-French Declaration issued by Lord Allenby on November 7, 1918:

"The goal envisaged by France and Britain in prosecuting in the East the war set in train by German ambition is the complete and final liberation of the peoples who have so long been oppressed by the Turks, and the setting up of national governments and administrations that shall derive their authority from the free exercise of the initiative and choice of the indigenous populations.

"In pursuit of these intentions France and Great Britain agree to further and assist in the setting up of indigenous governments and administrations in Syria and Mesopotamia . . . and to recognize them as soon as they have been set up."

The occasion of this proclamation was a widespread ferment caused by the removal by Allied troops of an Arab flag hoisted in Beirut. Since the proclamation was ordered to be printed in the whole Arabic press and posted in towns and villages throughout Palestine, Syria and Iraq, the impression it made was immense and the undertaking contained in it universally accepted as permanent.

It is true that the Government of a country fighting for its life is beset with urgent preoccupations and cumbered with a complex of departmental activities which make consistency in all its actions and engagements extremely hard to preserve. Every higher war direction has intractable difficulties in co-ordinating the activities of its left hand and its right, or indeed of all its hands, which tend to become as numerous as those of a Hindu god—human capacity is unequal to it. It is also true that Britain subsequently grasped her major errors and corrected them in such a way as to secure an equal loyalty from the Arab world in her second struggle for life. But there is no ground



for complacency upon the record of our diplomacy between 1916 and 1920. It was bad.

The first consequence was violent agitation in Egypt and an outright rebellion in Iraq which cost many valuable lives and forty million pounds. Happily we changed course immediately in Iraq; and though we changed it more slowly in Egypt, we did so by degrees and to excellent effect. The results are enshrined in the final Anglo-Iraqi Treaty of 1932 and the Anglo-Egyptian Treaty of 1936. But for the honouring of our war-time declarations which those instruments brought into genuine effect, and but for one other instrument—the Palestine White Paper of 1939—the Arab world would never have recovered belief in our good faith nor supported us, as it did, in the life-and-death struggle from which we have just emerged.

### THE QUESTION OF PALESTINE

ALL these instruments, however, are now out of date, and fresh agreements must be concluded within the framework of the United Nations Charter, in order that our relations with the Arab world may develop steadily into the equal and permanent friendship which is necessary to both. The most critical of the immediate issues is without question that of Palestine. The American pronouncements on the subject—prompted, as we know, by internal politics—have not been considerate. The Jewish organizations in Palestine have launched upon a campaign of violent sabotage, and there is a ferment in the Arab States which past experience should teach us to respect. At the moment we have strong military forces in Palestine; but they are only to guarantee order. No settlement can endure which has to be imposed by force.

The Palestine question has been so distorted and befogged by propaganda that many people, whose hearts are moved by Jewish persecution and by a sentiment derived from childhood familiarity with the early history of the Jewish race, believe it to be our duty to establish a Jewish Commonwealth in Palestine—if necessary by force. But that conviction can only live on ignorance; and it is bound to shipwreck on certain intractable facts. If our undertakings to the Jews are to be interpreted as a promise to establish a Jewish majority and a sovereign Jewish State in Palestine, then indeed they are in conflict with solemn undertakings to the Arabs whose meaning no honest man can doubt. One has been quoted above, the Anglo-French Proclamation of November, 1918; and there are many more. The Arabs believed throughout this war that we could be counted upon to honour that declaration, having our word freshly given in the White Paper of 1939; and if we are so demented as to break faith again, there will be resistance to the uttermost in all Arab lands. Never in such conditions can there be peace in the Holy Land. The Jewish State, whatever its boundaries, could not prosper or even precariously exist. And the British Empire would once again (as in Iraq after the last war) be spending tens of millions to its own grave detriment in a cause inconsistent with its own principles, in open contradiction of its undertakings at San Francisco and before, and incapable of success.

The plain fact is that Jewish settlement in Palestine, whether in its present numbers or *a fortiori* in greater numbers still, can never prosper without

Arab co-operation and consent. Nor is such co-operation unattainable. It is not Jewish settlement to which the Arabs object; such settlement could in time be widely extended in the Middle East, if only the claims of Jewish nationalism, with its demand for sovereign dominance in Palestine, were genuinely renounced. Equally certain is the fact that emigration to Palestine cannot possibly solve the immediate problem presented by dispossessed Jews in Europe. The acceptance of these two incontrovertible facts by the Zionist movement depends mainly upon the American Government, since it is in the lobbies of Congress at Washington even more than of Parliament at Westminster that the extreme demands of Zionism are pressed. Britain, for her part, repeated the substance of many previous declarations when she gave her word in the Palestine White Paper of 1939 to further no Jewish immigration beyond a certain quota (now exhausted) without Arab acquiescence. She has furthermore undertaken by ratification of the United Nations Charter never to countenance aggression or conquest of territory by force. Finally she is pledged to recognize and promote the independence of all Arab territories, Palestine becoming a self-governing bi-racial territory, Arab and Jew, as soon as independence is compatible with its peace. These pledges she is bound by honour and interest alike to keep.

As for the United States, it is assuredly time that Americans should take into account the facts about Palestine established twenty-five years ago by an independent and objective American investigation, the King-Crane Report. It was unfortunate that President Wilson, who ordered that investigation, was no longer in possession of all his faculties when it was completed and that America thereafter turned her eyes firmly inwards, repudiating all responsibility in Europe, let alone the Middle East. But that phase has passed and there is urgent need now for genuine Anglo-American co-operation on the Jewish question in the interest alike of Anglo-American friendship, the Jews and the Middle East. The surest way of moving towards this would be the appointment of an Anglo-American Commission to study and report upon the Jewish question as a whole, including a reinvestigation of the possibilities of Palestine together with the rights and feelings of its inhabitants in the objective manner of the King-Crane Report. There seems to be no other equally promising way of preventing a protracted and bitter struggle which would be deeply damaging to Anglo-American and Anglo-Arab relations without affording to the Zionist cause any hope of ultimate satisfaction or to the persecuted Jews of Europe any assurance of adequate relief. Such a commission is said to be in contemplation. That it may eventuate is greatly to be hoped.

#### ANGLO-FRENCH RELATIONS

THE next most pressing of our Middle Eastern difficulties arises from our relations with France; and here again we must beware lest the wider needs of our international policy should prejudice our friendship with the Arab peoples. The Arabs understand our difficulty and have always been ready to admit the importance of Anglo-French co-operation in the maintenance of peace; but French policy in Syria and the Lebanon has now completely



alienated the goodwill towards France which was once a potent force, and all Arabs are determined that the independence of the two Levant States shall not be sacrificed to international accord, whatever the cost.

The reason for their deep suspicion of France is not far to seek. France had no part at all in the hard campaigns which freed the Arab peoples from Turkish rule in the first World War; but when the peace settlements came to be negotiated, she demanded as her due for a long record of missionary and cultural service a considerable slice of Arab land. The Arab revival in Syria was without question deeply indebted to both French and American pioneers; and French protection was highly valued by a large proportion of Syrian Christians, if not by all. There was therefore favourable scope for a fruitful partnership between Syrian nationalism and French culture, supported by French political guidance and material power. Unhappily, France failed to appreciate the strength of Arab nationalism or indeed to admit that it had any right to exist; and in 1920 after San Remo she seized the whole of eastern Syria, driving King Feisul from Damascus by a ruthless display of force. Against this Britain did not protest, though it was much against her wish; and she soon had her own hands full in the Iraq rebellion farther east. But the action was typical of a French attitude towards the Syrian question which has led to violence once again in Damascus in recent months. In the critical winter of 1914-15 Feisul, as King Hussein's son, had favoured partnership with Turkey rather than the Western Allies because he believed that French and British imperialism would prove incompatible with the main purpose of the Arab revival—emancipation of the Arab world. In the years immediately following the Allied victory it seemed for a time that, despite his subsequent loyal service to the Allied cause, he had been right on both counts. In due course, however, Britain appreciated and came to terms with the rising forces of Arab nationalism. France unhappily did not. Before he died, Feisal as King of Iraq saw his country raised to complete independence by the termination of the British Mandate over it and admitted to the League of Nations. But he never forgave France for the breach of faith which drove him from Damascus, the ancient centre of the Arab world; and the French Chamber was desperately ill advised in confirming the Arabs' growing hatred of everything French by refusing before this war to ratify the Franco-Syrian Treaty of 1936, which resembled the Anglo-Iraqi Treaty, though less complete.

We have seen that French and British action in seizing direct administrative control over the whole Fertile Crescent from the Persian Gulf to southern Palestine and dividing it up into new states or provinces in flagrant disregard of history, local sentiment and economic convenience was in direct breach of undertakings given to the Arab Movement during the war. It was also grotesquely unwise, for it subjected the more advanced of the Arab peoples to European tutelage while leaving the much more primitive remainder of the peninsula to its own rulers, including a man of outstanding force and wisdom, King Abdul Aziz Ibn Sa'ud. If there be added to these ineffable decisions the fact that Britain had bound herself to open the southern part of historic Syria for colonization by the Jews, it is hardly to be wondered

at that the period between the two world wars was, in the Middle East, one of recurring violence, rebellion and strain. The astonishing thing is that the Arab world should nevertheless, with very few exceptions, have stood loyally by Britain when pressed almost to desperation in the second world war. It had no such regard for France.

The tragic truth, now plain to all the world, is that French, unlike British, statesmanship has never brought itself to recognize the strength and depth of the forces which are reshaping the Arab world. The reason lies partly in a colonial policy which insists too narrowly upon the Frenchifying of the native and natural life—in language, culture, administration, interests and ruling activities of every sort; partly in the choice of soldiers and administrators without the instinct of such men as Lyautey and Catroux for dealing with proud and sensitive Moslem folk; partly, too, in an unsleeping fear lest the grant of independence to Moslem peoples in the Middle East should raise a similar demand in the French North African Empire farther west. Syria and the Lebanon were seething with discontent when the second world war began, and the events of 1940 did not increase their respect for France. When, in 1941, the French Government took side with Germany in facilitating the threat to Iraq, the two Republics were delivered by British arms, the small de-Gaulliste contingent playing an altogether subsidiary part. Their independence has since been recognized by Britain, America, Russia and even France herself; but since the fall of Germany France has attempted to reassert a considerable measure of tutelage by force, and Britain could not do other than put an end to a struggle which would have involved all Arab States. It is a painful story, for Britain no less than France, and the only peaceful sequel is to be found in the withdrawal of all alien troops and in the recognition of independence, unconditional and complete.

#### STRATEGY OF THE MIDDLE EAST

THERE are two other major Middle Eastern problems, one military and the other economic, which we must face. The military one should prove the easier. Security against aggression is impossible nowadays for any small nation without the assured support in emergency of some great industrial Power. The Arab States need this, and are conscious of needing it. But the manner in which it is assured need not, and should not, take the form of military occupation in time of peace or of exclusive treaties between individual States. Strategically the Middle East constitutes a single region, with the consequence that it needs a regional scheme of security worked out in partnership between all the interested States. Such regional systems are contemplated in the United Nations Charter and, in accord with its principles, should be registered with the Security Council and approved by it. It is to such a scheme of security that we should now address ourselves in collaboration with the Middle Eastern States, so that the Anglo-Egyptian and Anglo-Iraqi Treaties, which have served us so well in this war, may be replaced by it. The defence of the Suez Canal as an international waterway would presumably be entrusted by the Security Council to such a regional association; but the question of international waterways is still largely shrouded in mist.

As to the method of the scheme, it must take the national pride of its members into full account. Foreign garrisons can never be acceptable to sensitive peoples, particularly in the neighbourhood of large cities; and in these days of rapid airborne movement there is no need for them. What will be important is the location and equipment of adequate air-fields and bases, and the maintenance of such local forces as will best complement and collaborate with those of the guaranteeing outside Power, the latter being held at suitable strategic points, very possibly at some distance from the areas over whose security they are to watch. The efficiency of the scheme should be tested and assured by joint exercises at regular intervals, in which the emulation of local and overseas forces would play a valuable part. The development of airborne forces and of air defence has transformed the conditions of military co-operation between ourselves and the Arab States, and we should make the most of the new technique.

Some system of military security is indispensable, and it is one of the most practical features of the United Nations Charter that it makes provision for the establishment of local schemes for security, approved by the central organization or its Chiefs of Staff, in different regions of the earth. Clearly, too, weak nations—and more particularly those which are very lightly industrialized, like the Middle Eastern ones—will need the assured support of a great Power to secure them against atomic bombs and much else. For until international control becomes trustworthy, the only security against the use of the most awful modern implements of war will be the fear of immediate reprisal in kind, as has proved the case with poison gas. One atomic bomb, for instance, could devastate directly and indirectly the whole valley of the Nile below the point where it was dropped, so that Egypt must have a powerful ally capable of shielding her from that awful danger by the only practical means at present available—possession of the counterblast. Till international control is genuinely established (and that may not be soon), there can be no other security for the smaller States.

#### ECONOMIC STRESSES

In truth, however, indispensable as military security undoubtedly is, economic dislocation presents a greater menace to the peace and independence of the Middle Eastern peoples than the possibility of aggression by armed force. They are all by nature economically primitive and mainly agricultural communities, and their societies are marked by a deep, though varying, chasm between poverty and wealth. Into these elementary societies we have been compelled by the sheer necessities of war to introduce a great number of industries, restrictions, expansions and controls which have had profound effects. They have, for instance, greatly enriched a few, while forcing upon the poorer classes not in our employment an even harder lot. They have, on the one hand, enabled many hundreds of thousands to earn good wages in war-time industry; but on the other they threaten wide unemployment and hardship as the war-time activities are demobilized. We have, moreover, piled up great sterling balances in the Middle East, as elsewhere, so that practically the whole region must be limited in its purchase of goods, only

to be had with dollars, of which, from textiles to household needs of a thousand kinds, it is extremely short.

No one questions that the Middle East Supply Centre, which we set up in Cairo during the war, has performed its extremely complex and onerous duties with general acceptance throughout the Middle East. No one now, moreover, denies that the problem of transition is regional and cannot be dealt with effectively except on regional lines. Meanwhile the Middle East Supply Centre has been wound up, the post of Minister Resident in the Middle East has been abolished, and the future of the Middle Eastern Office, or what remains of it, has not been announced. There is a general belief, however, that our new Foreign Secretary, Mr. Bevin, appreciates the need for an effective regional organization as well as the profound importance of giving assistance to balanced economic progress, helpful to all classes, in our dealings with the Middle East. Nowhere indeed is an effective regional system more indispensable to a sound and sympathetic pursuit of the Empire's human rôle than in the Arab States; but it is still to be seen whether the besetting bent towards centralization in Whitehall will allow of sufficient regional direction on the spot.

The regional approach to Middle Eastern questions is imposed upon us in the political as well as the economic sphere by the nature of the Arab revival, now far advanced. The Arab League, now firmly established with an organized headquarters in Cairo, was the subject of some scepticism even amongst experts when its formation was first broached; and it is true that its unity has hitherto been in the main a reaction to the sense of external pressure and to fear of the pretensions of both France and the Jews. But these questions have so far dominated its activities because they are in fact test questions for Arab nationalism with its demand for unequivocal sovereignty in Arab lands; they have not created Arab unity upon that demand, but rather shown how strong and universal it is. The League is, moreover, seeking to broaden its activities and to play a practical part in the betterment of all spheres of Arab life. The Arab revival owes its present strength to the British Empire, and the Empire owes much to it. They have great interests and aims in common—security, social justice, and freedom for their ways of life. They can therefore look to a long future of fruitful co-operation provided we are swift to shed the military habit of mind which becomes a second nature in war and ready to render all the help young countries need without obtruding it. For real adaptability and flexibility to the conditions of the Middle East it will be necessary to decentralize as much as possible of our Middle Eastern business from Whitehall and to build up in a new form the Middle Eastern organization which has done so much in the war. This will be a decisive test of our capacity for dealing imaginatively with our external problems in the post-war world; for our opportunity is great—great as the danger which will beset us if the opportunity is mishandled or missed.

# THE PACIFIC ISLANDS IN THE PEACE

## AN AUSTRALIAN VIEW

IN approaching the post-war problems of the Pacific islands and, in particular, their disposal in the peace settlement, where so much is still obscure, it will be realistic to start from a consideration of the policies of the major Powers. The islands themselves are widely scattered, their peoples and cultures are varied, and their political and economic development so far has done little to unify the oceanic area of the Pacific. Only the needs of a vast trans-Pacific offensive have for the first time co-ordinated activity on the many islands under review, and this co-ordination has been specifically strategic. We have to consider how far considerations of strategy will continue to apply, and where the requirements of policy for the development of the native peoples come into the picture. When this is done, the question of the form of disposal will be easier to answer.

Before the Second World War the strategic pattern of power was not so complex as it appears now, with the vast extension of the range of naval and air operations. The wide spaces of the Pacific seemed likely to limit offensive action to "island hopping". The American attack on Japan across the Pacific, however, has shown that fleets can now operate at distances and for periods of time at sea which render the older strategic calculations obsolete. Island bases there must still be, but operations are no longer limited to "island hopping". Thus the Powers interested in the Pacific cannot be satisfied with dividing the great ocean into spheres of naval control. Their strategic interests involve the whole, and not distinct areas, of the Pacific basin. The effect of this change is increased, not lessened, by the further military possibilities of rocket warfare and the atomic bomb. No vantage point, however distant, can be ignored.

The best approach to the problem, then, will be to look at it from the angle of America on the east, the British position in Singapore on the west, and the British Dominions of Australia and New Zealand on the south; but before doing this it may be useful to describe briefly the position of the Pacific islands involved in the peace settlement.

America's naval strategy in the Pacific is based upon a north-south line of islands (the Aleutians in the north, Hawaii in the central Pacific, Samoa in the south) and an east-west line running from Hawaii via Wake Island and Guam to the Philippines. This Hawaii-Philippines line is open to threat from the Marianas, Marshalls and Carolines lying athwart it; the Japanese attack on Pearl Harbour proved this point.

The British position at Singapore is covered by Sumatra and Borneo, which connect it with the Dutch East Indies and the arc of islands regarded as vital to the security of Australia and New Zealand. This arc has been defined in the Australian-New-Zealand Agreement (January 1944) as "the arch of islands north and north-east of Australia to Western Samoa and the Cook Islands".



Beginning from the western end with the Dutch East Indies, Portuguese Timor and Dutch New Guinea, it includes the Australian territory of Papua; the islands of north-east New Guinea, the Bismarck Archipelago, the Admiralty Islands and the North Solomons, all held under mandate by Australia; the rest of the Solomons under British protectorate; the French colony of New Caledonia; and the New Hebrides jointly administered by Britain and France. These islands are in the immediate north and north-east of Australia. Out towards the central Pacific lie the Gilbert and Ellice Islands, British Crown Colonies; over to the east, covering New Zealand, are the British Crown Colony of Fiji and the British Protectorate of Tonga. In this area New Zealand holds Western Samoa under mandate and the Cook Islands are a dependency. In Samoa the Australian—New-Zealand defensive arc meets the north-south line of American islands: American naval jurisdiction reaches down to Samoa through the Phoenix Islands, sharing the Canton and Enderbury Islands with Britain.

With this picture of the Pacific islands in our minds, we may proceed to questions of post-war disposal. First, the Marianas, Marshalls and Carolines. No naval high command responsible for operations in Far Eastern waters based on Hawaii would readily acquiesce in giving up strategic islands of such importance to their lines of communication. Taking into account, therefore, the realities of this strategic situation in the Central and West Pacific, we shall expect America to lay claim to these islands formerly held by Japan; and the American case is one that may be admitted under international agreement.

There remains a constitutional question in the disposal of the Marshalls and Carolines, which Japan originally held under mandate. If America claims these islands as bases, under what system are they to be held? Fortification as bases is inconsistent with administration under mandate.

It will be recalled that this question was publicly discussed before the San Francisco Conference, in connexion with the disposal of territories held under League of Nations mandate and hostile territories, and in reference to suggestions that all colonial territories should come under formal "trusteeship". America proposed two types of trusteeship, the first covering strategic bases, whether small islands or small areas in larger territories; the second covering larger colonial areas. Strategic bases were to be assigned for administration to the countries which could prove them necessary for their defence, although they would remain nominally under the authority of the Security Council of the United Nations Organization. The second type of colonial territory was to be administered by a single Power responsible to the Trusteeship Commission under the General Assembly. Britain accepted this principle with a further distinction regarding strategic areas, viz. that the administering Power should report on armament to the Security Council and on matters of general welfare to the General Assembly through the Trusteeship Commission. Australia put forward the plan (as formulated in the Australian—New-Zealand Agreement, 1944) of a South Seas Commission, which was to control bases as well as to secure a common policy on native welfare.

The United Nations Charter left the principle of "trusteeship" to voluntary agreement (Articles 75, 77). No provision was made for ending the League of Nations Mandate System, but only for the transfer of mandated territory to the Trusteeship System through individual agreements with mandatory powers. All matters relating to strategic areas are under the Security Council. The Trusteeship Council is available to help in matters of welfare, but need not be consulted if "prejudice to security considerations" is pleaded. In this way America could receive the former Japanese mandated islands from the Security Council and control them as bases in accordance with her strategic requirements.

As regards the general effect of American claims in the Pacific on the relations of the major Powers, the close co-ordination of the British and American navies in the offensive against Japan reflects a readiness on the part of Britain to recognize America's claims. In any event, British naval power will be operating from Singapore again. Russian reactions are more difficult to predict; but it should be remembered that the chief threat to Russia's position in the Far East came from the Japanese occupation of Manchuria. The agreement with China, which covers the question of Manchuria, will improve Russia's strategic position in the Far East; and this may affect her attitude towards Pacific problems. Much will depend, however, upon the spirit in which the discussions for international control of Japan are carried out.

On the west the recovery of Malaya has restored Britain's position in South-east Asia and British communications in the West Pacific. The plans for a new Malayan Union, with Singapore treated separately, indicate the future lines of British policy, combining political and social development with strategic measures. The main problems ahead of Britain concern relations with Thailand and Indo-China to the north and the Dutch East Indies to the south, that is, in effect, the political stability of South-east Asia as a whole. This is too large a topic for digression in this paper; but two essential requirements for stability may be pointed out.

First, in view of the previous economic development of these colonial territories in connexion with the world market, their future prosperity is bound up with an international economic settlement, in which the colonial Powers still have an important part to play on their behalf. Secondly, owing to the varied interests of racial, cultural and economic groups within the native populations, the claims of nationalist leaders must be carefully scrutinized on behalf of the populations as a whole; but it seems that nationalist feeling among all groups has reached a point at which it cannot be ignored or suppressed. This is particularly true of the Dutch East Indies. The situation is one where the moral obligations of "trusteeship", regarding political development as well as native welfare, have to be fulfilled in practical politics.

The British position in South-east Asia and the American naval line in the Central and South Pacific secure the ends of the Australian—New-Zealand defensive arc of islands; and within the arc itself Australia and New Zealand will scarcely think in terms solely of independent action. The two Dominions are, and must continue to be, active partners in the British Commonwealth of

Nations. Their place in the Pacific calls for close relations with America. At the same time, the special position of Australia and New Zealand has led them to take the initiative in South-west and South Pacific regional affairs through the Australian—New-Zealand Agreement of January, 1944. Whatever may have been the immediate circumstances leading to this agreement, and whatever the reaction of other governments to it at the time, it may be taken as a basis for discussion of the attitude of the two Dominions to the disposal of the Pacific islands.

The two Governments agreed "that, within the framework of a general system of world security, a regional zone of defence comprising the South-west and South Pacific areas shall be established and that this zone should be based on Australia and New Zealand, stretching through the arc of islands north and north-east of Australia to Western Samoa and the Cook Islands". The details of this defensive arc of islands have been set out above. Australia and New Zealand did not envisage radical changes in sovereignty or control in this region—certainly not merely as a result of wartime use of any territory by another Power: "No change in the sovereignty or system of control of any of the islands in the Pacific should be effected except as a result of an agreement to which they (i.e. Australia and New Zealand) are parties or in the terms of which they have concurred."

Within the zone of defence, given good Anglo-American relations, the organization would be a matter for regional co-ordination between the Powers concerned. Australia may well think of Sydney, with the Captain Cook dock, as a major naval base, and gear her industrial development, especially in the iron and steel industries, to the requirements of regional defence in the South-west and South Pacific. But it has to be recognized that Australian resources are limited. Singapore still holds pride of place as Britain's major base in the Western Pacific, and there is scope for developments based on Borneo. Australia will need to co-operate in the West Pacific as a unit of the British Commonwealth.

American moves to co-ordinate and consolidate naval strategy throughout the Central and South-west Pacific will raise the question of the use of base facilities at chosen points, both north and north-east of Australia, to secure communications and supplies. This will apply particularly to places such as Manus and Espiritu Santo, where the Americans have built great wartime bases. The attitude of the other Pacific Powers to such claims will depend upon their general relations with America within the United Nations Organization. Where home or dependent territory is involved, the grant of bases will be a matter of individual agreement with America. Where mandated territory is involved, the considerations set out above in regard to the former Japanese mandated islands will apply.

There is another aspect of policy to be taken into account in studying the post-war disposal of the Pacific islands. It is best stated in the terms of the Australian—New-Zealand Agreement which, in expressly applying the principles of the Atlantic Charter to the Pacific, declared that the doctrine of "trusteeship" (already applicable to mandated territories) should be extended to all colonial territories in the Pacific.

"The future of the various territories of the Pacific and the welfare of their inhabitants cannot be successfully promoted without a greater measure of collaboration between the numerous authorities concerned in their control, and (that) such collaboration is particularly desirable in regard to health services and communications, matters of native education, anthropological investigation, assistance in native production and material development generally."

The suggestion at the time was for a South Seas Regional Commission to secure a common policy and carry out the necessary measures of organization in the area. Whatever may have happened since January 1944, the basis of Australian and New Zealand policy has remained the same and is in harmony with the aims of colonial administration as laid down in the United Nations Charter. Although the United Nations Conference did not accept a formal extension of the principle of "trusteeship" to all colonies, such an extension was accepted as morally binding on all colonial powers. The South-west and South Pacific area requires particular attention for co-ordinated development. United, the region will stand and prosper; divided, its peoples will decline and fall.

In general, then, it seems likely that the Powers interested in the South-west and South Pacific area will be brought together if only because the character of the region repays co-operation, both for security and for local development. In the Dutch East Indies Indonesian nationalism will exercise an increasing influence; elsewhere policy will depend more upon the will of the colonial Powers themselves. But the disposal of the Pacific islands (beyond those previously held by Japan) will not require radical change of sovereignty so much as the co-ordination of colonial rule and native policy, either under the World Organization itself or through regional arrangements by the interested Powers in accordance with the United Nations Charter. Such co-ordination is particularly necessary for this disunited part of the world.

# AMERICA AND THE COMMONWEALTH

## THE ECONOMIC CASE FOR EMPIRE PREFERENCE

“UNDER the Providence of God, after centuries of laborious cultivation, the sacrifice of much heroic blood and the expenditure of a vast amount of treasure, the British Empire, as it stands, has been got together, and the question . . . is: What is now to be done with it?” That question, put some eighty years ago by a Nova Scotian statesman, Joseph Howe, confronts us with even greater urgency to-day. We have just emerged victorious, but overstrained, from a conflict in which, for a year and more, the free co-operation of the nations of the British Empire alone saved the precious heritage of Western civilization. What are we doing, what can we do, to maintain the unity and security of that Empire, and to preserve, from internal disintegration or from external aggression, the greatest instrument of political and social progress the world has yet known? What are we doing, what can we do, to make use, for ourselves and for every other part of the Empire, and, indeed, for the world, of the opportunities which its immense resources offer to us?

On that question we are all of us in the Commonwealth brought up against the necessity for a definite and immediate decision by the attitude of the United States. Implicitly by their interpretation of Article VII of the Lend-Lease Agreement of 1942 and now more explicitly in response to our own request, Lend-Lease having been cut off, for some consideration of the economic difficulties created by our whole-hearted sacrifice of everything to the common war effort, the American Government and American interests are demanding the abolition of Empire Preference or, at least, its reduction to a mere token figure. The demand is, in effect, a claim to the right to veto any policy of economic co-operation between the nations of the Commonwealth.

To understand how so essentially irrelevant a demand should have been made as a condition of American help in the circumstances of our common struggle, it is necessary to realize the nature of the factors at work. For one thing it must be remembered that a large section of public opinion in America, including many of the best friends of this country, has tended to identify, in their own affairs, political isolationism and protectionism as inseparably associated parts of the same policy. Convinced of America's duty to take a more responsible part in world affairs, bred themselves in an intensely individualistic atmosphere, with no conception of the profound change in world outlook on economic questions created by problems both of defence and of stability of employment, men like Mr. Cordell Hull have been disposed to believe that a return to the nineteenth-century economic ideal of Free Trade all round, or the nearest approach to it, would be the best contribution the world could make towards the prosperity of an “expansionist economy” and an atmosphere of peace and goodwill.

In that respect this important element in American public opinion represents a point of view that was dominant in England a hundred years ago.



To-day, as in the England of those days, that idealist outlook receives its practical backing from manufacturers, conscious of the immense scale and efficiency of their production, and less concerned with the home market, which they are confident of holding in any case, than with the economies of disposing of their surplus and with opportunities for dominating the markets of the world. The smaller and more broken up those markets, the better from their point of view. Hence their insistence on the Most-Favoured-Nation Clause, which prevents all economic groupings, and their vehement objection to Imperial Preference as an obstacle to the American economic control of the British Empire. In the England of a century ago that exporting mentality was balanced by a recognition of a corresponding need for imports. There is little evidence in the America of to-day of any real willingness to admit competitive imports, or even to accept the equivalent of such imports in the shape of services. On the contrary, America is all out to capture the civil aviation and as much as possible of the shipping of the world, while her agricultural interests are all for guaranteed prices at home helped by export subsidies.

Whatever the underlying motive the American demand is backed by arguments which are calculated to make a wider appeal and which, therefore, deserve a somewhat closer scrutiny than they have generally received. The favourite argument in this connexion is that the prosperity of the world depends on an expansionist economy, and that the obvious way to attain that is to remove the "barriers" and "restrictions" which hamper this expansion and which were responsible for the disastrous depression of 1930-31. That argument is based on a confusion between the expansion of international trade, *i.e.* trade across political frontiers, with the expansion of total trade, or rather of total production, which is the real test of prosperity. The two things are far from being identical.

Moreover, the unregulated and unbalanced flow of international trade on *laissez-faire* principles may, like the unregulated flow of water, prove disastrous to all concerned. Deluge and drought, boom and slump, over-production side by side with under-consumption, are all the natural concomitants of leaving water or trade and investment to find their own level. In a world of indiscriminate promiscuous free trade, based entirely on immediate price competition, nations with immense potentialities, human and material, may never have the opportunity of developing them; those with high standards of living or heavy defence obligations may find their industries destroyed piecemeal. Not only the peoples most directly injured, but the whole world is the loser by such a state of affairs.

As for the argument that the great inter-war depression was the result of trade barriers, restrictions and preferences, that is a legend based on a complete chronological inversion of the facts. The high tariffs, quotas and exchange restrictions, like the Ottawa agreements, were introduced after the depression and in fact averted its worst consequences. They no more caused it than the umbrellas in the street cause the rain. The world depression was as a matter of fact the direct result of the attempt after the last war to restore nineteenth-century conditions, more particularly the restoration of the gold

standard and the Most-Favoured-Nation Clause, thus linking the whole world together in a single monetary system broken up into national compartments precluded from mutual co-operation.

The impact on this state of affairs of the immense dynamic power of the American system was disastrous. For some years America's determination to export rather than to import was more than balanced by vast investments of American capital in Europe, by immense sums spent by Americans travelling, and by large remittances from America by European emigrants—all this only to a very small extent offset by debt payments to America. The great American speculative slump meant a sudden cessation both of American investment and of American travel and remittances. Nothing consequently remained to prevent the drain of gold to America in order to balance the exchanges. The basis of currency was everywhere contracted with disastrous effects on producers, while the Most-Favoured-Nation Clause prevented groups of nations (outside the British Empire) from co-operating in order to keep their gold circulating among themselves and to preserve their own balance of trade. The policy advocated by the United States to-day would, if accepted by the world, undoubtedly lead once more to a similar disaster. For it would mean once more that, owing to the immense preponderance of the American economy, the fluctuations of that uncontrolled economy would not be confined to the United States but, as in 1931, bring about a world crisis.

#### LESSONS OF HISTORY

WHEN it comes to expansion in the more correct sense of the word, that is to say the creative expansion of total production, we have before us one most recent spectacular example. The Soviet leaders set out with two great assets, vast undeveloped natural resources and a vast population, naturally intelligent but uneducated—uneducated not only in the literary sense, but in all industrial skill and experience. In order to force the simultaneous development of both these assets, they confined their foreign trade strictly to the import of such industrial plant as they could not possibly yet make for themselves and of a certain number of technicians, and to the export of whatever was necessary to secure these essentials. The method was drastic and involved much incidental suffering and the postponement of any immediate improvement in the standard of living to securing the foundations of economic and military strength. But who will say that it has failed of its purpose, or that the industrial power displayed in producing guns may not eventually be directed to producing "butter"?

Even more remarkable in some ways has been the expansion in the last sixty years of the United States. Here, under a capitalist system, policy concentrated on the import of capital (in fact of capital goods) and of human labour and enterprise, and on the discouragement by high tariffs of the import of finished consumers' commodities. In this instance the desired end was attained throughout on a high standard of living, and the total economic energy of the 140 million Americans is many times as great as that of 180 million Russians. The expansion of Germany after 1880 was the result of a

similar national policy. At any given moment the policy of each of these three countries may have interfered with some profitable trade with the outside world, and with the immediate convenience of some consumers. But will anyone suggest that the world as a whole was not enriched by the immense stimulus which deliberate policy in each case gave to enterprise, technical skill and total wealth, or that the same result could have been achieved by a policy of economic *laissez-faire*?

It is in the light of these examples of expansion resulting from the concentration of national purpose on the material and human resources of a wide area—a concentration only made possible by some measure of insulation from the disorganizing effects of purely competitive price competition—that we are entitled to judge the case for Imperial Preference and appreciate the seriousness of the demand made on us for its abandonment. In doing so we cannot afford, whether on purely economic or on psychological grounds, to ignore the past history of the question.

The conception of the Empire as a society for mutual help and development, a "Commonwealth for Increase", as Sir J. Harrington described it in his *Oceana*, is no new one. Summed up in the historic watchwords, "Ships, Colonies and Commerce", it was for over two centuries the mainspring of our national policy. That policy was based, as was inevitable at the time, on direct control of colonial trade by Great Britain, a control exercised primarily in the interest of the mother country, but also no less consciously in the interest of the colonies themselves. Whatever incidental defects the old mercantile system may have had in narrowness and rigidity of interpretation, there can be no doubt of its success. Under it Britain became the prosperous great power that held its own for a generation against revolutionary and Napoleonic France. Yet the development of the American Colonies themselves was even more amazing. When one considers the means of transportation of those days, and then reflects that the population of the Colonies grew in a little over a century to nearly three millions, one realizes what a powerful engine for the creation of prosperity and population our old imperial economic policy proved itself.

The old colonial economic policy was not abandoned after the American Secession, but was, at the beginning of the nineteenth century, gradually modified into a policy of mutual preference. In 1823 that great advocate of sane free trade, Huskisson, opened the colonial trade to foreign countries, subject to the imposition of moderate duties, ranging from 7 per cent to 15 per cent, from which British goods were exempt. As against these, the colonies enjoyed substantial preferences on their products, such as timber, wheat, sugar and wine. Under that policy Britain's new colonial empire began to make rapid strides. In spite of its much later start, Canada, up to 1845, was fully holding its own in comparison with the United States, and in the period 1815-40 actually attracted 532,000 British immigrants as compared with 458,000 who went to the United States. It is interesting to speculate what might have been the progress of the Empire under Huskisson's policy of practically free trade within the Empire, and moderate duties against the outside world, if it had only been given a few more years trial, and so

had received the credit, which so undeservedly went to Cobden, for the great expansion which followed the Californian and Australian gold discoveries. As it was, the abandonment of Imperial Preference by this country after 1845 gave a sudden and disastrous setback to the promising development of the Colonies, while it meant an immense concentration of British creative energy upon building up the United States. In all some ten millions of our people and thousands of millions of our capital went to build up, not the Empire, but the Republic, and by their very going enabled the United States to absorb tens of millions more of immigrants of European nationalities.

Gradually the various scattered members of the British Empire recovered from the blow inflicted upon them. Throughout these difficult years opinion in the Colonies steadily adhered to the belief that sooner or later Britain could come back to a policy of Empire economic expansion. The colonial point of view was emphasized at one Colonial Conference after another, and was indeed so strongly pressed on the British Government in 1897 as to lead to that denunciation of the Belgian and German treaties which freed us from the foreign stranglehold against any policy of mutual development. It is this same stranglehold that the United States are now seeking to reimpose as the condition of any assistance to us in connexion with the termination of Lend-Lease.

This obstacle removed, the Dominions at any rate were free to pursue the policy which they believed to be in their own interest as well as ours. Their view was justified by the result. Under the Canadian preference instituted in 1898 the United Kingdom exports to Canada, which had been falling steadily, increased from £5,172,000 to £23,795,000 by 1913, an increase of some 350 per cent, while imports into this country from Canada increased from £19,218,000 to £30,480,000 in 1913, an increase of over 50 per cent. Not long afterwards Australia, New Zealand and South Africa also initiated unilateral preferences with a consequence of an increase by 1913 of our exports to them of approximately 50 per cent, while our imports from them increased from £45,920,000 to £70,640,000 between 1905 and 1913, again an increase of over 50 per cent. After the last war, following up a resolution of the Imperial War Conference of 1917, Dominion preferences to British imports were further increased. The proportion of our exports which went to British countries increased from 37.18 per cent in 1913 to 41.95 per cent in 1928 to the same countries and to 45.3 per cent to the whole post-war Empire.

Meanwhile the first response on the part of the United Kingdom was made in the budget of 1919 under which a preference of a sixth of the duty was given on existing highly dutiable imports, such as tea, coffee, cocoa, sugar, dried fruits and tobacco, and a third of the duty on the McKenna duties. The effect of all these preferences was considerable. Most striking, indeed, was the effect of the 11 per cent. preference given to the Canadian motor-car industry, which became the centre of supply for American-type cars for the British and other Empire markets as well as for her own market. With the help of American capital poured into Canada the industry rapidly expanded. The immense contribution which that expansion has since enabled Canada

to make in the war effort should serve as a reminder that Imperial Preference is a policy not merely of mutual economic benefit but of defence and security. It also indicates that the most effective way of securing American capital for our own post-war reconstruction will be to create the conditions of British and Empire expansion behind adequate local tariffs supported by adequate Empire Preferences.

#### THE OTTAWA AGREEMENTS

THE main obstacle, however, to any extension of preference on the part of this country was that it involved the imposition of new duties and consequently a departure from the traditional Free Trade policy of the country. That objection disappeared when the great world depression of 1931 forced this country to adopt a protective tariff. At the Ottawa Conference of 1932 the principle of mutual preference was embodied in a series of agreements. While these agreements were of a tentative character and the preferential margins established very moderate in their range, it was generally understood that a generation of controversy had been closed and that what Lord Baldwin called "the first step" had been taken in a policy destined to be progressively developed and made increasingly effective. As a matter of fact these expectations of further advance were not fulfilled in the next seven years. There was even some going back on the Ottawa agreements in subsequent trade agreements with foreign countries, more particularly with Argentina and the United States.

Nevertheless, there can be no doubt as to the positive effects of the Ottawa treaties. The years that followed were years of general recovery and our trade expanded in every direction, foreign as well as imperial. The important fact is the marked rise in the proportion of Empire trade to total trade. Between 1932 and 1937 our exports to foreign countries rose from £200 million to £269 million, an increase of 35 per cent. Our exports to British countries, on the other hand, rose from £166 million to £252 million, an increase of 52 per cent, bringing our exports to the Empire up to 48.3 per cent of our total export trade, and to more than 50 per cent of our export of manufactures. The change was even more marked in our imports, very naturally, since our exports had already long enjoyed substantial preference in the Dominions. Between 1932 and 1937 our imports from foreign countries rose from £454 million to £624 million, an increase of 37 per cent. Our imports from British countries—almost all complementary and not competitive imports—rose from £248 million to £405 million, an increase of 64 per cent, bringing Empire imports up from 35.3 per cent to 39.4 per cent of our total imports.

Gross export and import figures are, however, of far less importance than the character of these figures as bearing upon our total volume of production. For that purpose the really significant figures are those of our imports of raw materials. Between 1931 and 1937 our imports of food, drink and tobacco increased from £416 million to £432 million, that is by £16 million. Our imports of manufactures rose from £261 million to £275 million, that is by £14 million. On the other hand, our imports of raw materials rose from £173 million to £315 million, an increase of £142 million, or 82 per cent.



Of this increase over £65 million came from British countries. There could be no more convincing proof of the expansionist effect of our domestic tariff and of the Ottawa agreements taken in conjunction. The Ottawa agreements were, however, not confined to bilateral agreements between this country and the several Dominions and India. They included a considerable development of inter-Imperial preference between the Dominions and India (now for the first time included in the preferential system) and between these and various parts of the Colonial Empire. Between 1932 and 1937 the total trade between British countries other than the United Kingdom increased from £70 million to £157 million, an increase of 124 per cent.

Nor is it the case that the Ottawa policy, even if it benefited the British Empire, did so at the expense of the rest of the world. That leaves out of account the fact that, if it had not been for the safety-valve of expanding mutual trade opened up by Ottawa and facilitated by the sterling system, we and every other Empire country would have been driven to much more drastic measures to protect our several economic lives, with much greater consequential interference with international trade. As it was, the trade of this country and of the whole Empire with the outside world increased substantially after Ottawa, as the above figures show, though not in the same degree as our Empire trade.

The above facts clearly indicate what an important contribution the development of Empire Preference both before and after 1932 made to the economy of the whole Commonwealth and to its ability to meet the strain of the world war. Nothing, indeed, is more remarkable than the unprecedented contribution, not only in men, but in money and the materials of war which the Dominions contributed on this last occasion. To quote but a single instance, Canada in this war made a free gift to the common cause in munitions and other essential supplies of more than twice the whole cost of the South African War. It is at least fair to presume that a continuance of that policy would lead to further expansion of the resources of the whole Empire.

On the other hand, what would be the result of the abandonment of Empire Preference? This has hardly been seriously envisaged yet, but its realization has already come as a serious shock in many quarters. Mr. Chifley, the Prime Minister of Australia, has already indicated the grave alarm which Australia feels at the possibility of losing the advantages of a system on which her whole dairy, sugar, dried and fresh fruits and wine industries have been built up. What applies to Australia applies no less to New Zealand and to South Africa. The interest of Canada in this matter extends, not only to agricultural produce, but to manufactures, as for instance in the case of the motor-car industry which has already been quoted. The whole development of European settlement in Southern Rhodesia depends in very large measure upon the assurance of future preference for tobacco. In Nyasaland, on the other hand, that same preference is essential in order to find employment for native agriculturalists in their own country instead of having to seek it in the mines outside. The dependence of the West Indies on sugar, of West Africa on cocoa, of East Africa on coffee, and of Ceylon, and to some extent India, on tea, are also only

instances of the very serious dislocation, amounting in many cases to the actual wiping out of promising industries, which would be involved by the abandonment or drastic reduction of preference. In almost all these products the United States is the main competitor and that on a scale of production so large that free entry into the American market would afford little benefit to Empire producers. It is significant that at the recent meeting of the Associated Chambers of Commerce of the Empire in London there was complete unanimity on the vital importance of the retention of Imperial Preference.

What, on the other hand, of our own position in this country? Is there any possibility, on nineteenth-century *laissez-faire* lines, of our being able to find customers willing to take the immense total of exports which we must have in order to live? Nothing can be more hopelessly out of date than to imagine that the chief obstacle to our export trade lies merely in the tariffs of individual countries, and that an all-round reduction of tariffs in the world would be our salvation. That view, based on the memory of our competitive power in the past, ignores the fact that our production, saddled as it is not only with high wage standards but with the enormous taxation overheads of social security and of our defence needs, will have to meet the equally well-equipped factories of cheap labour countries, and the cheap surplus of America's immense mass production, not to speak of possible future dumping by a totalitarian country like Russia. It also ignores the fact that such a policy means abandoning any effective control of our own home market. We might thus continue to secure a certain limited export trade in virtue of the quality of our products, but we are never likely—at any rate once the immediate post-war boom is over—to secure a sufficient total bulk of exports to meet our needs.

There is no warrant for the belief that in future unregulated imports will somehow automatically create exports, or, indeed, that a general expansion of international trade, or a general lowering of tariffs, will necessarily help this country. It will make all the difference what we buy; whom we buy from and whom we sell to; in what currency we transact our operations. Not go-as-you-please promiscuity, but careful selection, a well-thought-out order of priorities, must govern both our import and our export policy in peace as it has governed them in war.

#### THE MOST-FAVoured-NATION CLAUSE

In order to pull through our first duty will be to exercise a strict economy over the expenditure of the credits which we can earn by our exports. To ensure that these are not wasted on the purchase of unessentials, but used to provide the imports which are essential for our existence, we must exercise a selective control over our imports. To control the character of our imports will, however, not be enough. It will be no less important to exercise selection as to their source. It will obviously be one of the Government's first duties to conclude trade treaties to help our exporters. In negotiating these, the one outstanding bargaining factor we shall possess is our unique consumers' market. Favoured access to that market should only be given to those who give us equivalent help in return. To call that discrimination is a misuse of

terms. In regard to our trade with foreign nations we have not in the past been free to conclude such treaties for fair reciprocity of benefits. The Most-Favoured-Nation Clause, that is the obligation automatically to extend to the rest of the world any tariff reduction given as the result of negotiation, has stood in the way. In the years between the wars more than one hopeful attempt on the part of certain European nations at a general mutual reduction of tariffs was vetoed in the name of this clause. It is essential that we should insist on its abandonment, or at any rate its drastic modification, in international trade as a whole.

Happily, as has been pointed out, the Most-Favoured-Nation Clause is not applicable to inter-Imperial trade.

It may be said, no doubt, that we are in fact pledged by the terms of Article VII of the Lend-Lease agreement of 1942 to abandon Preference and to adhere closely to the Most-Favoured-Nation Clause. The effective words in that connexion are our undertaking to come to agreement with the United States, open to participation by all other countries of like mind, directed to the expansion of production, employment and exchange . . . "to the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the joint declaration made on August 12, 1941", *i.e.* the so-called Atlantic Charter.

In so far as the last sentence covers the whole it is worth keeping in mind that the 4th Article of the Charter with its reference to "due respect for existing obligations" has been explicitly declared by Mr. Churchill to have been inserted in order to protect Imperial Preference. In any case it does not appear that in framing Article VII of the Lend-Lease agreement any clear understanding was arrived at as to what is meant either by "international commerce" or by "discriminatory treatment". There is no doubt that, ever since 1898, this country has in all its commercial treaties made it quite clear that it has not regarded inter-Empire trade as international trade and subject as such to the obligations of the Most-Favoured-Nation Clause. Again, it is at least open to question that non-discriminatory treatment must imply the maintenance of the Most-Favoured-Nation Clause on the present American interpretation, which as a matter of fact has only been favoured by the United States since 1922. If trade is to be regarded, from the nineteenth-century point of view, as purely an individual concern, then no doubt non-discriminatory treatment means treating all individuals equally, whatever the framework of national economic forces in which they are operating. On the other hand, if trade is a matter of national concern, whether from the point of view of social or defensive security, then non-discrimination clearly must mean equal or comparable treatment in return for equal or comparable treatment as between nations. To say that country A must take the exported unemployment of country B, which refuses to admit A's goods, on the same terms as the goods of country C which offers a vital market for A's exports, is surely an absurdity. Even more does it become absurd to apply that argument against countries which are part of a common political system and pledged, in fact if not in theory, to each other's defence. There is the further absurdity

in the whole American contention that it is admitted that if Preference is extended to 100 per cent in the shape of complete customs union there can be no objection under the terms of the Most-Favoured-Nation Clause. More than that, the United States have, in their most recent trade treaty with the Argentine, accepted the right of that country to negotiate preferential arrangements with other South American countries on the slender fiction that a South American Customs Union is ultimately contemplated.

The fact is that in the modern world the Most-Favoured-Nation Clause has become a complete anachronism and stands in the way of any genuine expansion of international trade based on mutual interest and real expansion. There can be no real recovery in Europe if the countries of that continent are not allowed to co-operate mutually for the restoration of their ruined economy. In defending its own hitherto recognized right to maintain a system of mutual economic co-operation corresponding to its political organization, the British Commonwealth would be defending not only its own interest but the natural healthy evolution of world economics.

There is the last argument that we cannot help ourselves and that both this country and other parts of the British Commonwealth are in such dire need of dollars in order to secure either, in our case, foodstuffs and raw materials, or, in the case of India and the Dominions, capital goods, that we must accept America's terms, however disastrous their ultimate implications. That surely would be a counsel of despair, and of premature despair. It may well be that a determined effort to secure the maximum of the requirements of all of us from each other, supplemented by the resources of the sterling area outside the British Empire, might produce supplies even now in much greater volume than is generally realized, and give a stimulus to British production, the results of which might mature very rapidly. It is worth remembering that similar fears expressed in 1931 about the danger of going off the gold standard were completely falsified. To everybody's surprise it emerged that the resources of the sterling area were sufficient to dominate the price level. It may well be, if we have to fall back on those resources, supplemented by such minimum accommodation as we may secure in America on purely business terms and with no strings tied to it, that we may all of us make a far more rapid recovery than has hitherto been foreseen.

The case for the maintenance and indeed further development of Empire Preference has been set forth in these pages entirely from the economic point of view. But it is at bottom much more than that. The question is whether the units of a nation group which saved the world by standing together in arms are to be forbidden to work together in peace in a world in which defence, social welfare and trade have become indissolubly interconnected. The question to-day is, in fact, whether the British Empire and Commonwealth is, in any true sense of the word, to be allowed to continue and make its contribution, as an equal among equals, with the great power groups now emerging. What in the past has been mainly a question of economic interest for those concerned has become the *articulus stantis aut cadentis imperii*.

# THE GREAT ILLUSION

## THE MILITARY FAILURE OF MILITARISM

*"The aims and purposes of the conspirators were not fixed or static but evolved and expanded as they acquired progressively greater power and became able to make more effective application of threats of force . . . opportunistic methods . . . such as fraud, deceit, threats, intimidation, fifth column activities and propaganda." (Extract from the Indictment against Major War Criminals.)*

THIS quotation is put at the head of this article for two reasons. It shows indeed that the conspiracy of Hitler's Germany was a conspiracy and not just a drift into aggression. It details the methods of the conspirators. But by implication it also reveals the state of mind of their victims. Intimidation is not effective unless the victims are liable to be intimidated. Fraud does not succeed if there is enough intelligence in its intended victim to refuse to be defrauded. The conspiracy went a very long way towards success and came within an ace of succeeding altogether. It owed its period of triumph to a great illusion, which was finally revealed to be such by its collapse. This illusion was the invincibility or at least immense relative superiority of the Germans as soldiers.

A great military reputation is not, of course, founded upon nothing. As long ago as the first century A.D. Tacitus described the valour of the German tribes in terms curiously akin to the descriptions of the "*furia francese*" of the Middle Ages. More recently still any potentate who desired good mercenaries went to Germany to hire them, though soldierly pre-eminence was not generally attributed to the Germans as such before the wars of Frederick the Great—and then only to the Prussians. Before that time the palm of military virtue, since the decline of the Roman legion (which ceased to be Roman or even mainly Italian towards the beginning of the Christian era), was borne in turn by the Goths (whether as Roman auxiliaries or as enemies), the Huns (from whom the Prussians are in fact partly descended); the Normans (Scandinavians like the Goths but not Germans); the Saracens; the Spaniards (up to Rocroi); the Swedes (up to Poltava); and the French. Moreover, there was something bogus even about the Prussian army of Frederick the Great; and it may well have owed at least as much to the Hitlerian unmorality of its creator as to its own innate virtues. At least it collapsed ignominiously in the next generation at Valmy, Jena, and Auerstadt. Perhaps, however, it would be right to detect the existence of potentially good military raw material among the Germans right through their history. The testimony of Tacitus has already been mentioned. Then the Franks, ultimate creators of the Latin chivalry, were originally a German tribe; and it will be observed that many French military terms are Teutonic, not Latin. Again, if we contrast the campaigns of Gonsalvo de Cordoba (which were practically bloodless) with those of the Thirty Years' War (which was essentially a German civil war) it will be seen that the Germans of the seventeenth century showed a quite



astounding degree of pertinacity and of ferocity in battle. Indeed, the only real parallel to the war which destroyed three-quarters of the population of Germany is the campaigns of Lopez, the dictator of Paraguay, which destroyed six-sevenths of the people of that Republic and left alive only one male for every 28 females.

But ferocity and high casualties are not necessarily a proof of military genius, and what we are discussing is not whether the Germans possess unusual military courage but whether they possess unusual military skill. Marshal Ney (whose natural language was German) was the "bravest of the brave" among the Napoleonic constellation, but as a strategist he was the lowest of the low—infinately inferior to Davout or Berthier the Frenchmen, to the Scotchman Macdonald, and, of course, to the great Corsican himself. It is the theme of this article that the Germans can be shown to have possessed less than normal military skill and not even abnormal military courage.

The indictment of the major war criminals alleges a consistent and continuous conspiracy among the Nazi hierarchy during the six and three-quarter years (January 1933 to September 1939) to prepare for war. Some of the Generals have asserted that they were opposed to this conspiracy. They can in fact tell that to the marines. The conflict, so far as there was one, was about who should control the war machine, not about whether a war machine should be created. To most of the German General Staff, Hitler, as one of them declared, was the answer to a soldier's prayer. He stinted nothing. In fact, as even Stresemann's correspondence shows, war preparations started long before the advent of the Nazis. It is, however, enough for the purposes of this argument to establish the fact that for nearly seven years an autocratic Government, supported by an ample and experienced military hierarchy, and able to count on the work of some eighty million industrious people, set out to forge an irresistible military instrument. They could count upon apathy, ignorance or funk upon a very large scale among all or most of their intended victims. In spite of these immense advantages, they failed. The *prima facie* deduction is that they were not really very competent.

It will, of course, be said that the odds against them became very great. For example, most German generals in the course of interrogation have complained bitterly about two things—the first being the Allied air supremacy, and the second being that the Russians were so numerous that, however many were killed, there were always more to come. But that is no answer to the charge of incompetence. If the Germans had known their job, they would have finished it before Allied air supremacy could develop, and they would never have had a war on two fronts simultaneously. Asked why this country was not invaded in the autumn of 1940, one general explained that the Germans did not like to risk what the British Navy could do. A thousand years of fine naval tradition certainly paid us a good dividend—for what the Navy could in fact have done was demonstrated off Crete next spring. Even assuming that the metropolitan R.A.F. could have given some air cover in the Channel as it could not do in Crete, there can be little doubt that a resolute attack would have effected a landing, that a landing could have been met only by a most devoted but wholly inadequate defence, and that by an expenditure

of a few hundred thousand men at the outside the war in the west could have been won. Even supposing that things had gone wrong and that, for example, supplies for the invaders could not have been maintained (though they would not have needed to be elaborate), no adequate reason has ever been given why a competent military machine should not have risked it. The writer remembers asking a French general why he in the darkest days never despaired. He replied, "*Je me suis dit 'l'Angleterre gagnera parcequ'elle est l'Angleterre'.*" But such (to us) flattering imponderables did not affect and ought not to have affected the plans of the German General Staff. As for Russia, is it generally realized that the Germans actually succeeded in creating a strategic situation such as Hitler in *Mein Kampf* adduced as the greatest proof of the contemptible folly of the German war direction in 1914-18? To attack on the Eastern front in June 1941 on the assumption that the Western front was and would remain phoney long enough was exactly the same mistake (substituting Eastern for Western front) as Ludendorff made in March 1918. In both cases the essence of the error was the assumption that occupied countries or quiet fronts however cowed and quiescent do not require enormous forces to make sure that they are safe. The 1941 error was probably the more flagrant because it has yet to be shown that the Russians, if they had not been attacked, would of their own volition have entered the war.

The German generals are now frankly admitting that the overall politico-military strategy of the war was contemptible; but of course they put all the blame on Hitler from the cardinal error of attacking Russia to the final futility of Rundstedt's offensive in the Ardennes in December 1944. Without doubt Hitler's position both in law and in fact was exceptional. He was not a mere figure-head like the Kaiser. But surely competent soldiers are more than "yes-men". Some German generals undoubtedly were. For example, Von Fritsch right at the beginning seems to have opposed the conspiracy to make war or at least to make it when it was made, and was murdered after the fashion of Uriah the Hittite. Quite a few were sacked, though more often for failure than for unpalatable advice. Some were actually parties to the plot to suppress Hitler in July 1944—at the eleventh hour, be it noted. But on the whole the German General Staff (and it was 50,000 strong) showed a lack of strategic inspiration which even Hitler's position does not excuse. One sentence in General Marshall's final report to the American Secretary for War seems absolutely damning. He says "no General Staff objection was expressed when Hitler made the fatal decision to invade Soviet Russia". The General Staff's attempt to preserve their reputation for infallibility has not the same speciousness as after 1918.

It will be noted, for example, that Keitel takes credit for the first offensive against Russia (July–November 1941) because in retrospect, though it did not take Moscow or Leningrad, it appears well designed and well conducted. General Marshall indeed implies that it failed only because of the unusually early onset of winter. As a matter of fact, even this campaign was not very creditable to the General Staff, who were caught quite unprepared for winter conditions. Still, it was more creditable than the Stalingrad–Caucasus offensive of 1942, which Keitel tries to make out was Hitler's own special. There

is, however, no trace of any soldier's having been sacked because he opposed an offensive with two ambitious objectives—the taking of Moscow from the rear and the seizure of the Caucasus oil. The truth seems to be that the generals could never quite make up their mind whether their duty as soldiers involved an obedience to Hitler which was not only blind but also (in anticipation of events) silent; and it is not wholly convincing when they are clear-sighted and loquacious after the event.

Let us examine for a moment the next outstanding strategic blunder of the German military machine, which, in the writer's opinion, was the heavy reinforcement of Tunisia, after Alamein and the Anglo-American landings in French North Africa had made the German position south of the Mediterranean hopeless. The generals say that they could not get the *Afrika Corps* and the existing Tunisian garrison away and therefore the only thing to do was to reinforce. That is a very queer argument. In the first place, surely if men could be sent in, men could be taken out. In the second place, if something had to be lost anyway, why make it much instead of little? The cost was fifteen good Divisions instead of four or five. If the ten or eleven extra German Divisions had been stationed in Sicily or southern Italy, the "under belly of the Axis" would not have been "soft" at all. It is true that the Allies, even as it was, had a desperately difficult campaign in Italy—if not in Sicily; but we now know that their difficulties were not due to the genius of the German High Command. That Command was in fact completely deceived about the location of the landings in Sicily; and if it put up a stiff fight in Italy, so it ought to have done. For in the peninsula it always had a superiority of force on the ground—some 25 divisions against 17 when the final decisive battle opened—and its force was homogeneous whereas the Allied Armies comprised 17 different nationalities. Italy indeed seems to the writer an outstanding instance of the German strategic muddle which resulted in the absence of at least a third of their resources from the critical battles on the Rhine and the Vistula.

Space forbids any elaborate analysis of German air strategy. But it is pretty evident that the Germans did not know how to use their Air Force. Apart from the superb performance of our fighter squadrons and A.A. batteries during the battle of Britain, the Germans lost that battle largely because they never concentrated upon one kind of objective for long enough. They switched from ports to airfields and from airfields to factories, and from factories to general terrorization without consistence or persistence. In fact, it is arguable that they knew how to use an Air Force in conjunction with an army, but not as an independent instrument. They had air tactics but no air strategy. Finally, of course, they turned the major part of their air effort away from the attempt to produce a competitive Air Force and in favour of the production of air gadgets. There is no denying the immense potentialities of the latter. If the V1 and V2 had been in mass production and use eighteen months earlier than they were, the result would have been very serious. If the *Luftwaffe* could have been equipped on any large scale with the new jet machines, the Germans might even have swung back the pendulum of air power—as they did once during the last war by equipment with Fokkers.

They were, we are now told, within an ace of discovering how to release atomic energy. It was a race against time, and the Germans lost. Admittedly there are many reasons why this is not wholly to their discredit. It is always a moot point in war how to divide effort between waging the war of this period and preparing for the war of the next. If you concentrate too much on what you have got already, you may not win before the enemy outstrips you and turns the tables. If you concentrate too much on turning the tables, you may lose before the tables are turned; and that is what happened to the Germans. Napoleon acknowledged the difficulty when he said, in effect, that the highest quality in a general was to be lucky. What we are discussing, be it remembered, is whether the Germans are pre-eminent in the art of war or not; and in the matter of air warfare they fail to qualify not only by the test of air strategy but also by Napoleon's test.

We come now to the military qualities of the German soldier. Mr. Churchill said recently that when two forces were more or less equally matched, the quality of their leadership decided the issue. That is, of course, true. But many battles have been won by the soldierly qualities of the rank and file. Albuera and Inkerman are two that occur at once—and it is not so easy to recall any battle won by relatively poor troops. The soldierly qualities of the Germans have often excited the admiration of their enemies—and the late war was no exception. But either German leadership was even worse than has been contended in this article or the qualities of the rank and file were not generally so good as occasional experiences indicate.

One interesting point, relevant to this question, arises from the private letters of German soldiers in the field. Some, like that published by General Auchinleck as a model of what a soldier's sentiments ought to be, breathe a selfless patriotism and resolution. But very many display a mawkish sentimentality and self-pity, which may, of course, be designed *épater les bourgeois*, but are far more likely to be a reflection of some fundamental softness. The facts support this deduction. When the German soldier thinks he is beaten—and he is not exceptionally immune from this impression—he surrenders readily. The ratio of German prisoners (taken before the surrender) to German casualties has been in fact extremely high; or, if it is preferred to put it another way, the total of German battle casualties has been surprisingly low. Broadly speaking, the German Army was eviscerated by surrenders rather than by losses in the field. Its permanent casualties (killed or too severely sick or wounded to serve again) seem to have been under 6½ million in rather less than six years of war as compared with 6½ million in 1914-18. That is not a crippling rate of loss for a nation with an annual intake of about 800,000. On the other hand, the Western Allies alone took about 1½ million German prisoners before the closing stages. The figures for the Russian front are not known, but can hardly have been less and may have been much more. In short, the German Army fought well, but not exceptionally well, certainly no better than the British, American or Russian armies.

It may be said that after 1940 the German Army was not homogeneous. There were, of course, the Italians, the Rumanians, the Hungarians, the Finns, and quite a lot of non-German oddments such as the Spanish Blue Division.

These were, perhaps, an element of weakness in the *Wehrmacht* just as the satellite elements were a weakness in the *Grande Armée*. But the analogy is not very good. The dilution of the *Wehrmacht* was nothing like so extensive—only about a third of the 600,000 men that crossed the Niemen in 1812 were French. Moreover, many of the *Wehrmacht*'s foreign satellites were first-class troops—notably the Hungarians and the Finns. As for the Italians, Rommel never hesitated for a moment to leave them in the lurch when his Army was in difficulties, and it cannot truly be said that German troops were sacrificed to support them. Again it is true that in France the Allies found quite a few motley units in which unwilling non-German individuals had been incorporated. But the real reason for the success of the invasion (apart from the quality and leadership of the Allied Armies) was oscillation and imperfection in the German High Command. General Marshall's report shows the remarkable degree of confusion and indecision in the enemy's plans. Added to the dislocation caused by Allied bombing and the operations of the F.F.I. this chaos of thought was decisive.

Such are some of the facts which support the view that the Germans have no monopoly of military skill or courage. If that view be correct, one of the things that must never happen again is that the world should be bluffed, by the theory that they have such a monopoly, into failing to check aggression in time or to face it resolutely after it has erupted. No attempt has been made to deny that the Germans are good military technicians and more often than not brave soldiers. But they are not perfect technicians nor superhumanly brave soldiers. They are not either in the military or in the ethnological sense a "master race".



# THE SOULBURY REPORT

## CONSTITUTIONAL CHANGE IN CEYLON

THE White Paper\* containing the pronouncement of His Majesty's Government on the changes proposed in the constitution of Ceylon was presented to the House of Commons on October 31st. With a very few modifications it endorses the recommendations made by the Commission, headed by Lord Soulbury, which visited the island early in the year to examine this question and to consult with various interests, including minority communities: these were published on October 9th. The reactions of the majority community, the Sinhalese, will be completely apparent when the State Council meets: its leading newspaper the *Ceylon Daily News* has warmly welcomed the proposals, and it seems likely that they will be accepted, with a few protests, by all the Sinhalese members except a small number of extremists. But among nearly all the minority communities there is keen disappointment, especially among the largest of them, the Tamils. A brief résumé of the political events of the past 15 years will help to explain the reasons for these differing reactions.

### THE DONOUGHMORE CONSTITUTION

IN the 11 years following 1920, three advances in the direction of self-government were made, the last and most considerable following the Report of a Reforms Commission led by Lord Donoughmore in 1928—according to the new report, the constitution which resulted “had little to commend it”. The two main points on which this Commission animadverted were the exercise by the then Legislative Council, particularly its Finance Committee, of “power without responsibility”, and the state of the franchise, which was restricted to about four per cent of the population and partly communal. To meet these defects, the Order in Council of 1931 created a State Council of 58 members, of whom 50 were elected by universal adult suffrage in territorial constituencies, and 8 were nominated by the Governor; the latter have usually been filled by members of the smaller minority communities, including four Europeans. The Council, after electing its Speaker, divided itself into seven Executive Committees—Home Affairs; Agriculture; Labour, Industry and Commerce; Communications and Works; Health; Education; and Local Administration. Each of these elected one of its number as chairman, and these chairmen, together with three officials known as “Officers of State”—the Chief Secretary, the Financial Secretary and the Legal Secretary—constituted the Board of Ministers, presided over by the Chief Secretary. These Officers of State sit in the State Council, but do not vote: they administer their own departments. The new Council was given increased powers, but the Governor

\* Cmd. 6690 of 1945.

retained an overriding control, with the rights of reserving any Bill for the Royal assent, of certifying any measure rejected by the Council, and in cases of urgent necessity of legislating by his own ordinance.

Almost at once the middle-class Ceylonese politicians began to attack the powers of the Governor and the existence of the Officers of State, who have till recently invariably been Europeans. However, they did settle down to a genuine effort to work the Constitution. To estimate the measure of its success or failure is not easy, partly owing to the fact that war conditions have allowed only two general elections, those of 1931 and 1936. Since 1931 many measures of social and other reform have been introduced, on the whole with success—the Soulbury Commission has an interesting chapter on this subject.

But the Constitution has developed some serious defects, as was shown by the late Governor, Sir Andrew Caldecott, in a dispatch to the Secretary of State in 1938, which contained suggestions for reform. The most important were the increase of communal feeling, the comparative failure of the Executive Committee system, undue political interference with appointments to the public service and corruption within the State Council, in the public administration and at elections.

The Donoughmore Commission, in recommending the abolition of communal electorates, and the substitution of territorial, hoped that communal feeling would gradually decrease; in fact the reverse has been the case. The minority communities—the Ceylon Tamils, the Indians, a small but influential number of whom are traders and the rest Tamil labourers mostly on tea and rubber estates, the Muslims, the Burghers and the Europeans—have all manifested a fear of political domination by the Sinhalese majority, who to-day hold 40 out of 50 elective seats in the State Council, representing about 4 out of 6 millions of the population. On a certain number of occasions voting in the Council, especially on constitutional issues, has gone on communal lines, with the result that the Sinhalese majority have shown that they can always get their way when they want it. This feeling was considerably exacerbated by some ingenious gerrymandering after the 1936 elections, by which the seven elected Ministers were all Sinhalese, and all but one Buddhists, whereas the former Board contained two members of the minority communities. Thus the Donoughmore remedy of “curing the communal canker” by ignoring it has been a sad failure. In the country generally communal feeling is not bitter in daily life, as in India, though it is apt to rear its head unpleasantly at election time. While it is perfectly true to say that in the State Council no Sinhalese *bloc* exists, the members of which habitually vote together—indeed, in most cases voting is in accordance with members’ personal inclinations—the minority communities claim that such a *bloc* has been and can readily be called into existence, and that they are thereby placed in a position of permanent political inferiority.

The Executive Committee system, while working well in certain respects, and especially in giving politically uneducated State Councillors some insight into the operation of the administrative machine, has led to much administrative delay, to a serious lack of co-ordination of policy, to competitive

spending between committees, to a considerable waste of time in irrelevant discussion, and, worst of all, to inordinate attention by the members to the question of appointments to the public service. An ill-advised regulation was introduced in 1931 to the effect that recommendations to fill vacancies in any department should be referred to the relevant Executive Committee before going to the Public Services Commission, a body consisting of the three Officers of State, in whose hands lay the final advice to the Governor on appointments. The results of this regulation have been a constant pestering of committee members by applicants and their relatives, widely credited accusations of corruption, and personal attacks in Council on the Officers of State when the Public Services Commission's advice has not tallied with an Executive Committee's recommendations.

There has been one especially unfortunate repercussion connected with the exercise of the vote by Indian estate labourers. In 1931 the extension of the franchise in this direction was severely limited. When in 1939 the Government of Ceylon decided to dispense with the services of a number of daily-paid Indian labourers in its employ, bad feeling was caused; the whole question was then taken up between the Governments of India and Ceylon, but in spite of two conferences no agreement was reached. Hence in 1941 two Bills, an Immigration Bill and a Bill for the Registration of Non-Ceylonese, were introduced into the State Council; they passed their second readings, but went no farther. If these measures were completed, they would leave considerable discretion in the hands of the Minister of Labour to regulate the admission into the island of any British subjects other than those who conform to the definition of "Ceylonese". This has roused both anger and apprehension among the Indian and European communities.

#### REFORM OF THE CONSTITUTION

FOLLOWING on the suggestions for reform made by Sir Andrew Caldecott, a long-drawn-out debate took place in the State Council in 1939, which served to bring out the differences of opinion between the Sinhalese and the minority communities. Between 1941 and 1943 correspondence took place in which the Board of Ministers pressed the Secretary of State for early action; but the latter was unwilling, partly on account of the war, and partly because of the lack of unanimity shown. In 1942 the State Council passed a resolution demanding a guarantee of Dominion status after the war. The next year, in May, the Secretary of State issued a declaration that the post-war examination of the problem would be "directed towards the grant to Ceylon of full responsible government in all matters of internal civil administration"; that the control of defence and external relations would be retained by His Majesty's Government, and vested in the Governor, but that the latter's other powers would be considerably restricted; the only Bills to be reserved by him for the Royal assent would be those which

- "(a) relate to the Royal Prerogative, the rights and property of His Majesty's subjects not residing in the Island, and the trade and shipping of any part of the Commonwealth,

- (b) have evoked serious opposition by any racial or religious community, and in the Governor's opinion are likely to involve oppression or unfairness to any community, and
- (c) relate to currency."

The Board of Ministers was asked to produce a draft constitution within these limits, for examination by a commission or conference after the war, provided that such a scheme obtained the assent of three-fourths of the whole State Council. The Board agreed, and drafted a constitution, coming under heavy fire from the State Council, particularly the minority communities' representatives, for sending it to London before submitting it to that body, or even publishing it. This draft contained proposals for a single chamber of 100 members, all territorially elected except for 6 to be nominated; a scheme of weightage for the less thickly populated areas was put forward as a sop to the minority communities, though in effect it would not greatly increase their percentage of representation; the Officers of State were to be abolished, and a Cabinet chosen by a Prime Minister; and largely independent commissions were to control the public and judicial services. The report of the Soulbury Commission has adopted the great majority of these proposals.

In July 1944 the Secretary of State replied that he was appointing a Commission to visit Ceylon before the end of that year in order to examine these proposals, giving full opportunity for "consultations to take place with various interests, including minority communities". This produced a storm of wrath from the Board of Ministers, who stated that they had interpreted the 1943 Declaration as an undertaking to accept their scheme as it stood, provided that three-fourths of the State Council supported it; they therefore withdrew it, at the same time publishing it as a sessional paper, and declined to have anything to do with the forthcoming Commission. The Secretary of State denied that he had ever had any intention of accepting such an interpretation, and persisted with the Commission, which, after some apparent delay in its composition, arrived in Colombo a day or two before Christmas. It was headed by Lord Soulbury, a former Conservative President of the Board of Education; the other two members were Mr. (now Sir) Frederick Rees, Vice-Chancellor of the University of Wales, and Mr. F. J. Burrows, a well-known trade unionist, since appointed Governor of Bengal.

#### THE ROYAL COMMISSION

THE Sinhalese ministers maintained an official boycott of the Commission, but Mr. D. S. Senanayake, Vice-Chairman of the Board of Ministers and Leader of the State Council, was constantly in attendance on its members, and the Report discloses that he had many private discussions with them. But another minister, Mr. S. W. R. D. Bandaranaike, introduced a bill into the State Council for complete Dominion status; it was the Ministers' draft constitution less the limitations set up by the 1943 Declaration, and was hurried through the Council before the Commission left. This being such an obvious political move, no one was in the least surprised when the Secretary of State signified that assent was refused.

During the three months that the Commissioners spent on the island many memoranda were submitted, and many deputations interviewed, mainly though by no means exclusively from minority communities and interests. The most noteworthy was that of the All-Ceylon Tamil Congress, led by Mr. G. G. Ponnambalam, a State Councillor of considerable ability, who submitted a complete draft constitution.

The views of the minority communities as submitted to the Commission showed a considerable measure of agreement. They differed from the Ministers' constitution mainly on the matters of representation and on the composition of the executive, while the smaller minority communities and several other bodies were strongly for a Second Chamber, in order to "check hasty and ill-considered legislation"—a phrase which was greatly to annoy existing State Councillors.

In June Mr. Senanayake received and accepted an invitation from the then Secretary of State for the Colonies to visit him in London. This annoyed the minority communities, who held that he did not in any way represent them, being merely the leader of the Sinhalese majority in the State Council. The Board of Ministers were not enthusiastic; they gave his visit a qualified blessing, but no mandate. He went in July, had several interviews with the new Secretary of State, and returned in mid-September; according to his report to the Board of Ministers, he pressed very strongly for full Dominion status. Several minority community leaders, particularly Mr. Ponnambalam, also went to London to press and to publicize their views; they have had an interview with Mr. Hall.

The only respect in which the Commissioners' Report differs markedly from the Ministers' draft constitution is its recommendation that a Second Chamber should be included in the provisions of the Order in Council. A "Senate" of 30 members is suggested, with powers much the same as those of the House of Lords; half are to be elected by the First Chamber, by proportional representation, and half nominated by the "Governor-General" acting "in his discretion"; the suggestion is that this half should be chosen from persons distinguished for public service or eminent in their professions or occupations—one-third of each half to retire every three years, reduced by the White Paper to two. Though this is spoken of as a safeguard for minorities, the minority communities generally have no opinion of its usefulness as such, considering the weakness of its powers and the nature of its composition.

The British model is, with set purpose, but without much imagination, followed throughout, on the ground that "the politically conscious majority of the people of Ceylon favour a constitution on British lines", which the Commissioners regard as a natural evolution in the progress towards Dominion status. This conclusion, already stigmatized as the line of least resistance, is unwelcome to the minority communities, one of whose main points is that their very nature and existence sharply differentiates political conditions in Ceylon from those in the United Kingdom. Most of them asked for "balanced representation" in both the legislature and the executive with communal electorates—a scheme similar to that of Lord Wavell for the



Central Legislature in India;\* they argue that if the combined minority communities were given by weightage the same number of seats in the legislature as the Sinhalese, thus allaying their fears of domination, the tendency would be for the Council and the country to split into parties based on economic and political rather than racial lines, thus ultimately diminishing communal feeling. For the executive their demands were informed by the same idea, but there was no unanimity as to how this difficult task was to be done. The Commissioners reject the idea of pure communal representation completely, especially in the sphere of the executive; but they admit it in a sense by the modification they suggest of the Ministers' scheme of weightage by area, viz., the carving out by a Delimitation Commission of a certain number of constituencies, smaller than the average (which aims at 75,000), in which there would be a majority of one or other of the minority communities. This is probably intended mainly for the benefit of the Muslims, the community at present politically closest to the Sinhalese, and they have professed themselves satisfied: but it may also operate in the hilly Central Province, where the Kandyan Sinhalese claim special representation, yet where the Indian Tamil labourers on tea estates are most numerous. In other provinces the geographical distribution of races makes nearly every constituency communal in practice, if not in theory. The estimate made in the Report gives 58 Sinhalese seats to 37 others; to the latter must be added 6 seats filled by nomination.

The kindred and thorny problems of franchise and immigration are stated in the Report, but little is done to solve them. The claim of the Indian community for a more generous franchise for the Indian estate labourers, about 700,000 in number, is not met—when adult franchise was granted in 1931, the Sinhalese leaders insisted on its strict limitation in the case of this community, but for which the Donoughmore Constitution would have been rejected by the then Council; this matter has caused an open and still unsettled quarrel between the Governments of India and Ceylon. Both the Indian and European communities asked for statutory safeguards against discriminatory immigration laws—in 1941 during the quarrel above-mentioned two such measures, the Immigration and the Registration of non-Ceylonese Bills, went as far as their second reading in the State Council. All the Commission has done to meet this is to suggest that any bills directed against the right of re-entry of non-Ceylonese residents in the island at the date of introduction of the new constitution should be reserved for the Governor-General's assent. Thus if these two bills became law, Indian and European firms could be prevented from bringing any new employees into the country; most of the export and import trade is in the hands of these two "foreign" communities, and so far they have had little opinion of the business capability of the Ceylonese. The European and Burgher deputations made a strong point of their great preference for electing their representatives instead of having them nominated, but the Commissioners, in their enthusiasm for the theory of territorial representation, brush this aside. Thus, while the Tamils,

\* The statement in the White Paper that this scheme is supported by the Tamils only is surprisingly inaccurate.

Burghers, and perhaps the Muslims fear political extinction, the Europeans and Indians fear economic extinction as well, in view of the State Council's declared policy of Ceylonization, which has already gone far in the Public Services. It may be mentioned that the almost universal demand for an independent Public Services Commission, free from all political influence, has been endorsed by the Commission, who recommend the closing of the loophole for this which the Ministers in their constitution had left for themselves; this may well prove the most valuable result of the whole business.\*

The principal significance of the White Paper is that it has not yielded to the Ceylon State Council's demand for immediate Dominion Status, but that it gives an undertaking that such a concession will follow in a comparatively short time, provided that the Ceylonese do their best to work the new constitution "as a foundation on which Dominion status may be built". The only modifications of any real importance that it makes of the Commission's recommendations are, that the power suggested for the Governor of legislating by ordinance in case of a constitutional breakdown or other pressing public emergency shall be only exercisable by him after it has been conferred by an Order in Council specifically made to meet such an occasion, and that the normal channels of communication between His Majesty's Government and the Government of Ceylon shall continue to be through the Secretary of State and the Governor, not directly with the Prime Minister as suggested. Any hopes the minority communities may have had of defeating the adoption by the State Council of the principles of the new constitution disappear with the withdrawal of the stipulation that such adoption should need the support of three-fourths of the whole Council: the White Paper states that this would have applied to the Ministers' draft constitution if it had not been withdrawn, but was now necessary because the minority communities had had the opportunity of placing their views before a Commission though in fact the constitution envisaged under the White Paper differs very little from that draft.

The Soulbury Report has already been attacked in extremist quarters as an attempt to perpetuate "British imperialism", and it is highly probable that this line will be taken by the more irresponsible politicians, as well as by all those sections of the small but very vocal Communist party. The more responsible sections of Sinhalese opinion will probably accept it as the penultimate step in their political destiny: they seem to be divided in opinion as to what should be the last step.† Some envisage Dominion status, as the White Paper suggests, with an agreement under which Great Britain would undertake the island's defence: others believe that Ceylon should and will ultimately form part of a federated and independent India—an idea to which

\* It should be observed, however, that the proposal to vest the control of the civil services in the Governor-General acting on the advice of a Public Services Commission appointed by him 'in his discretion'—as well as to empower him to reserve Bills opposed by minorities and to nominate half the Senate 'in his discretion'—is not consonant with 'full responsible government in all matters of internal administration'.  
—*Editor*.

† On November 9, by a majority of 51 to 3, the State Council of Ceylon accepted the constitution offered.—*Editor*.

the Tamils will probably give strong support after their disappointment with the White Paper.

This disappointment, and that of several other minority communities, has yet to be voiced, though it is understood that preliminary protests have been sent. They feel that the Soulbury Commission, after making a very fair statement of their claims, were content to leave the solution of their difficulties to the majority community, with the pious hope that the latter will refrain from exercising the permanent political power it continues to possess, coupled with the wishful thought that economic divisions will overshadow racial feelings and create a party system more like the British.

The somewhat vague statement by the Leader of the House when asked by the late Colonial Secretary for a debate on "that very large constitution change" is a little disquieting. To an observer who has been out of Britain for over eight years, and who reads in the home press (not without scepticism) that a genuine interest is at last being taken in colonial affairs, it would seem odd if the experiment of giving a non-European country within the Commonwealth such large powers of self-government on the British model should become law without debate in the Mother of Parliaments, especially since the new constitution may well, for better or for worse, come to be regarded as a model for those of self-governing colonies within the Commonwealth of the future.

Ceylon.

November 1945.

# THE AFTERMATH IN AMERICA

## EMOTIONS OF RELEASE

HOW swiftly the tides of American opinion ebb and flow—and how dangerous to judge our national policy by surface signs alone. Three months ago, with the Japanese war still gripping the nation in forced unity, we were getting used to President Truman and rather liking it. We were holding the line at home and preparing to invade Japan over the beaches.

To-day we are in the very depths of post-war reaction and let-down. The atomic bomb has fallen. We are in Month III of the Atomic Age and not sure what to do about it. Mr. Truman's political honeymoon is over. Strikes are crippling reconversion. There is a wave of alleged isolationism. And so confused is the situation that it would be difficult to define specifically any major national policy.

But this confusion may well diminish as rapidly as it arose. It is the aftermath of the war's end. It is the natural result of the relaxation of war's disciplines to a people who are not by nature disciplined. It is a result of our deceptive distance from the actual scenes of the fighting. It springs from our seemingly favorable economic situation.

We are basically an irresponsible nation, owing to historical, geographical and ethnological causes. National policy, after all, does not spring from self-conscious devising, but from long, patient and almost emotional conditioning. Doubtless it will be agreed that the instinctive reaction of the average Briton—his awareness of continental European political balances, his reliance on world trade—goes back many generations. So it is with the basic policies of any nation—France, Russia, &c. But with the United States the instinctive reaction is a sense of our own continental strength and richness, our aloofness, indeed our isolation. That is what the average American feels in his bones.

And we have to awake, of course, to the vastly changed world. Rationally we tell ourselves that aloofness and irresponsibility are no longer possible. Our minds accept the facts. But our instincts are still escapist if not xenophobic. At least they are irresponsible.

Thus, the chief political fact to-day is the pressure from the public on members of Congress and the army and navy leaders for rapid and still more rapid demobilization. Every mother, father, wife, sweetheart and employer is bearing down upon his or her Congressmen with an insistent demand that Johnny come marching home and into civilian clothes in less time than it takes to walk up Capitol Hill. There has never been quite such determined pressure on Congressmen.

The result, an inevitable result of pressure, is that Congress is nervous and jumpy. The bad effects are felt in all phases of legislative work. The relative freedom from criticism which the army and navy have enjoyed during the war years is at an end. Their plans for post-war continuance on a

big scale are now subject to all sorts of political revision. The definite proposals for compulsory military training which the army has long advocated are very likely politically impossible.

All this reaction naturally produces the appearance of a wave of isolationism. Its most marked effect is economic and financial. The Gallup poll figures show definite resistance to financial aid for Britain or other nations. There might even be a majority in favour of an effort to collect lend-lease. However, a substantial British loan at low interest rates is confidently expected.

It would be a mistake to take all this let-down and recession of American world responsibility too tragically. It is no laughing matter, in all conscience. But at the same time it is largely emotional; and it is likely to run its course with some speed. The United States cannot escape its place in the world, whatever its inclinations. The grim challenges of modern warfare are inescapable. They are too well known to too many Americans to permit protracted avoidance of our duties. And we are a mercurial people. We will bounce back from our present let-down and regain much of the dynamism which marked our war effort.

It is a fact, however, that on the present evidence President Truman will not be far ahead of public opinion—perhaps not far enough ahead. He has thus far shown himself to be a coordinator and stabilizer, but not exactly a leader. There has been a need for these qualities during the cooling-off period. Now the times call desperately for more positive policies, for leadership which shall rise to new challenges. Manifestly, President Truman will seek to meet the challenge. In the process, he will have to commit himself far more than hitherto. On bitter domestic issues perhaps he will have to take decisive choices between the almost incompatible wings of his party: the radical left wing, dominated by the C.I.O. faction of organized labor, and the conservative right, largely composed of old-line southerners. And Mr. Truman's choice may foreshadow the political alignments of the presidential election in 1948.

### THE INDUSTRIAL BATTLEFIELD

AGAINST this general background comes our biggest domestic challenge: labor strife. Currently, between 400,000 and 500,000 workers are out on strike, and the number seems certain to rise. The strikes are a result of perfectly simple and elementary facts. The cost of living has risen twice as much as hourly wages have done. The problem is to find ways of satisfying labor's natural and inevitable aspirations without setting in motion an inflationary spiral, which would endanger labor's gains as well as the whole country's savings and stability.

During the war, prices—although held down somewhat by the Office of Price Administration—rose 29 per cent according to the figures of the Bureau of Labor Statistics, and 43 per cent according to union surveys. Hourly wages were held to a 15 per cent increase by the "Little Steel" formula. However, overtime payments raised the "take-home" pay so much in most industries that labor was reasonably satisfied.



With the end of the war and production cut-backs, overtime has generally ceased. Moreover, labor's wartime "no-strike" pledge is no longer in effect. It is evident that the wage-price relationship which maintained stability during the war is now severely upset.

Nevertheless, it is of extreme importance to prevent post-war runaway inflation. Thus it is that the "irresistible force" meets the "immovable object". On August 18, President Truman issued an executive order which (1) permitted wage increases where no price rises would result; (2) authorized the correction of "gross inequalities" if the Office of Economic Stabilization approved any price rise that might result. Such increases were to be rare.

Manifestly, if wage increases could come out of corporation profits, there would be no problem. And many industries have already seen fit to grant increases while absorbing the increased cost of production. Productive efficiency has been greatly advanced in many lines, giving grounds for higher wages. And profits have been high. There is a prevailing feeling, not altogether shared in industry, that wage increases of 15 per cent could readily be granted without necessitating price increases of more than 3 or 4 per cent.

The fundamental unbalance between wages and prices is not the only cause of today's labor strife. Indeed, the major strikes at the moment of writing do not stem from that factor, but are results of jurisdictional battles between different unions or between labor and employer on grounds other than wages.

The most damaging strike in the country was in October in the soft coal mines, where some 200,000 were idle, endangering the nation's steel supply and threatening shipments to Europe. In this perennially strike-torn industry, John L. Lewis again challenged the operators. His United Mine Workers sought to bring from 28,000 to 50,000 foremen into the union. The coal operators asserted that a foreman is a representative of management, and that his inclusion in a workers' union would represent the taking over by labor of a management function. The operators sincerely took the position that Mr. Lewis's invasion of the foreman group presages a degree of labor control akin to socialization.

After ten days of unremitting but futile conference under Federal government auspices in Washington, Mr. Lewis called off his strike until "a later more appropriate date". This result meant that the Government had failed to settle the strike, but leaves the threat of future work stoppage hanging like the Sword of Damocles over this essential industry. Thus while the settlement of the strike was welcomed, the future outlook is not reassuring.

The bitter and exacerbating element in the strike situation, in the soft coal mines and elsewhere, is that both sides are strong and well equipped to fight. Each side has a measure of public support. Each is ready for a show-down. Each knows that the people want reconversion and production, and assumes that this sentiment will fight for its side. It is a thoroughly dangerous combination of circumstances.

The second gravest strike also does not concern wages directly. It is strictly a jurisdictional battle between the Congress of Industrial Organizations and the American Federation of Labor for the waterfront of New York.

Joseph Ryan, "King" Ryan, the tough and picturesque head of the International Longshoremen's Union, is challenged by Joseph Curran's National Maritime Union, in which there is a big Communist faction. Mr. Ryan's outfit is a closely-held personal affair, relatively conservative and affiliated with the A. F. of L.

Burly, hard-hitting "King" Ryan is lifetime president of his I.L.U., at a salary of \$20,000 a year. The rank-and-file members of his union have been rebelling against his leadership. Recently they struck against his wishes, demanding improved working conditions. When he whipped most of his union back into line, and work promised to be resumed, the N.M.U. moved into the picture. Joseph Curran, head of this C.I.O. union, ordered his seamen not to get up steam for winches on any ships that Ryan's longshoremen attempted to unload.

Harry Bridges, the Australian-born leader of longshoremen on the Pacific Coast, came hurriedly to New York. He seeks a foothold in New York harbor. But, as long as two years ago, Ryan announced: "I'm only waiting till this war is over so we can slug it out with Harry Bridges."

This gangsterism, more sinister than cinema, has today tied up New York harbor. The employers, the public, the consumers are apparently helpless. Wages, working conditions, collective bargaining—all have been forgotten. It is a battle to the death between two rival unions and their dictatorial chieftains: between conservatism and communism. Such jungle warfare is all too reminiscent of prehistoric battles of dinosaurs who may well destroy themselves but will perhaps do a great deal of damage before they are through.

And in industry after industry, city after city, either jurisdictional or outlaw strikes are flaring up. Very obviously, governmental action must be taken to end this kind of anarchy. It is not simply that organized labor is going through growing pains, as it did a generation or more ago in Britain. That stage should have been over long ago. Organized labor has become a personal and lucrative "racket" and the rank-and-file member is helpless against a permanent and highly paid union chief.

So great is labor's political power, however, that Congress has hitherto failed to pass effective legislation. Present labor statutes seem almost to do more harm than good. Bills are now pending providing for compulsory arbitration—which is not widely favored—or voluntary arbitration with emphasis on conciliation. But more fundamentally, public opinion is swinging around to favor laws defining the circumstances under which strikes would be illegal, and holding labor leadership accountable for its own finances and for free elections.

Such statutes, however, will not meet the present situation, here and now. That calls for leadership by President Truman and his Administration. The President seems anxious to avoid a commitment. He tried throughout October to defer decisive action until a management-labor-government conference in November. He seeks above all an agreed solution, for his Democratic Party is dependent for its majority upon a working cohesion between union labor and the anti-union and conservative South.

If once Mr. Truman has to plump for the larger element in his support, which is the orthodox conservative group, then labor may well go the way of a third party, under the leadership of Secretary of Commerce Henry Wallace and Sidney Hillman, of the C.I.O. Such a split would almost certainly mean Mr. Truman's defeat and the election of a Republican in 1948. It might mean the downfall of the Democratic Party for many years to come. Naturally, therefore, Mr. Truman—who is a bred-in-the-bone party politician—will seek to avoid any such split.

Yet his greater and more urgent challenge is to achieve a measure of industrial peace here and now. Unless reconversion can proceed uninterrupted—as it promised to do a few weeks ago—the results will be very serious. Not only will unemployment mount, but failure of production will inevitably stimulate the inflation for which the ingredients are so abundantly present.

Moreover, the strikes discussed above are only a few of those that threaten. The entire automotive industry may be out if wage increases of 30 per cent are not granted. The telephone companies are quivering on the verge of a strike, with resultant grave consequences to the national communications. New York's elevator operators were only sent back to work by the forceful intervention of Governor Dewey of New York. During their stoppage, the fantastic dependence of sky-scraper New York upon these employees was vividly demonstrated.

In short, a national wage-price policy, a strike-and-union-responsibility policy, are all desperately needed. The alternative is almost certainly inflation, plus work stoppages and civil strife on the most damaging scale. The repercussions, of course, would be world-wide.

#### PHYSICS AND POLITICS

So much space has been given to strikes here because they are currently at the top of the news, and less is likely to be known of them abroad than of other items of more obvious interest. That does not mean they are necessarily the most important subject. The gravest problem, of course, is the long-range maintenance of peace—and that turns upon the control of the atomic bomb and other new techniques in warfare. Here, alas, public thinking is still in a daze. The dangers are almost too big for the human mind to grasp. Our natural scientists keep dropping hints that the atomic bomb used upon Japan is already outmoded.

Our military men also drop hints that atomic bombing is by no means the latest word in horrible warfare. It is understood that forms of bacteriological warfare were under study and ready to use, which in some sense might be more devastating than even the limited disintegration of the atom. It is an open secret that our army authorities were very fearful that Germany would use bacteriological warfare against the British Isles and the American troops staging there before the invasion of the Continent. Perhaps this is not the time to dig out war secrets of this nature, but the foregoing hint is based on information much more substantial than gossip.

General H. H. Arnold, commanding officer of the American Army Air

Forces, bluntly states that weapons now ready or "inevitable" on the basis of present techniques make it possible to drop a guided missile—containing an atomic bomb if desired—"on any square mile of the earth's surface from any square mile of the earth's surface". Such a statement indicates to all thoughtful men that the use of force in war has become suicidal. And yet the national policies derivative from the facts have not yet been formulated. The United States has no desire to seek to dominate the world by force. We have no wish to promulgate a Pax Americana. But we are not yet acting upon the only alternative.

The physicists who finally completed the atomic bomb have seen the issues more clearly. Speaking from their secluded retreat at Los Alamos, New Mexico, 400 of them proclaim: "... we are left but one course of action. We must cooperate with the rest of the world in the future development of atomic power, and the use of atomic energy as a weapon must be controlled by a world authority. . . . Such conditions will demand some modification of our conception of national sovereignty. This makes it imperative that we have the good will of all nations, for it must be realized that we are dealing with a deadly challenge to civilization itself. . . ."

These stirring words were echoed by another group of respected leaders, led by Mr. Justice Roberts, recently retired from the Supreme Court, who met in New Hampshire and proposed a world federal government as a substitute for the present United Nations Organization. They called for a constitutional amendment in the United States to make possible American participation in a world legislative assembly chosen on the principle of weighted representation. They urged the American Government "to promote the formation of the world federal government, after consultation with the other members of the United Nations, either by proposing drastic amendments of the present United Nations Charter or by calling a new world constitutional convention".

Such a proposal is far in advance of the articulated concepts of American public opinion. However, the full weight of those who understand the implications of force in to-morrow's world has not yet been felt. Our scientists and our thinkers are going to be very eloquent and impressive, for they will have the support of grim facts. These facts, it is to be confidently expected, will awaken American public opinion from the post-war miasma into which it has momentarily plunged. The question is: how long a breathing spell do we have? The only safe assumption, with the New Mexico scientists and the New Hampshire conference men, is that there is not a moment to lose.

Meantime, political relationships in the world grow no easier. We are well aware of the deficiencies of our occupation policies in Germany and Japan, and the magnitude of the problems confronting us—and our allies—in both areas. We have been acutely reminded of the difficulties of reaching agreements with the Soviet Union. We know that our own policies are far from being well defined, or free from inconsistencies.

In short, the weeks and months following the surrender of Japan have been a bad period, a confused period. The peace has erupted upon us almost

as the war did, following the attack on Pearl Harbor. We had a black time of it for many months in 1942. We shall undoubtedly do better now. But our allies should be as patient with us as we ought to be with them. We profoundly need wisdom and statesmanship. We have a President and a Secretary of State with patience and poise. They do not yet have a coordinated policy.



# GREAT BRITAIN

## LIFE CHANGES SLOWLY

THE end of both wars has, so far, brought little change to the outward face of British life. Within the home, personal anxiety for the safety of dear ones is lifted. Tens of thousands of prisoners of war have come back to their families, to tell their experiences. Demobilization has started—but not more than started. Overtime in war factories has been cut. Passenger train services, from the beginning of October, have been slightly improved, though they are still overcrowded.

The blackout has gone entirely. We are back on Greenwich Time; the war expedient of continuing Summer Time throughout the winter has ended, and autumn afternoons close in early by the clock, as they used to do before 1939. The street lamps are lit before the children go to bed, who till now had never seen them lighted. The sirens are silent. No periodic crashes disturb "Southern England" as they were doing a year ago, and the "blitz" of 1940-41 is a fading memory. Before long, the ordinary person will be ceasing to remember how near we once were to being invaded or defeated.

But as for the general pattern of life, it has not been greatly altered yet. Three months after the end of the shooting, it is still far closer to 1943 or 1944 than to 1939. The VE and VJ days have come and gone, but they have not shaken the kaleidoscope. We read of spectacularly swift reconversion from war to peace in lands across the Atlantic. Here one is conscious of nothing of the kind. War-time licensing systems and controls are still rampant. Goods for civilian use are, if anything, scarcer than ever, for enlarged output from the factories has hardly yet begun to trickle through. Food supplies generally seem to be shorter, and queues as long. There are no new houses yet, and few started, apart from the Coalition Government's programme of 150,000 temporary prefabricated bungalows. Meanwhile, thousands every week are added to the lists of those wanting a home to settle down in. That is precisely the tension: minds which during war were concentrating on victory and attuned to sacrifice are turning towards peace now, but the satisfaction and the normalities of peace are not yet there. Besides all this a governing fact is that, though we may not all realize it, we are all very tired.

## UNION DISCIPLINE WEAK

FOR several weeks, against the advice of their trade union, 40,000 dockers have been on strike. That is symptomatic. It is not likely to be the last of such strikes. Were a Conservative Government in power, they would probably be more bitter and more extensive. The dock strike has already made it clear, however, that even a Labour Government cannot entirely rely upon all sections of the working class to give heed to reasonable Government guidance. One was accustomed to talk about "organized labour". The

probably transitional phenomenon, for which we have now to prepare, is labour not amenable to trade-union discipline, and precipitate to exert pressure on the State or on the employer without much discriminating between them. At the back of it all is wage chaos. Wage systems surviving from a different technical age fifty years ago or more; wage rates negotiated between employers and unions in one industry without any rational connexion with wages in other industries; continued refusal or failure of successive Governments to enunciate any principles of wage policy, except non-intervention by the State—these are the deficiencies which we must find trade-union leaders and employers and Ministers brave enough to tackle. Until then, we shall continue to lack standards of reference whereby to eliminate all the anomalies which, especially in a period of reduced overtime earnings, create exploitable dissatisfaction and give ground for strikes.

### CONCEALED UNEMPLOYMENT

THE new Minister of Labour, Mr. Isaacs, is an experienced trade-union official, but neither as an administrator nor as a politician is he the peer of either of his immediate predecessors, Mr. R. A. Butler (Conservative) or Mr. Bevin. He cut a poor figure when attacked in the House on October 22 by Mr. Churchill on the subject of demobilization. This is bound to remain one of the major political and social issues for the next year at least. No one in civilian clothes need remain out of a job, but in the armed forces there is concealed unemployment on a colossal scale. This is the penalty which must be paid for sticking, quite rightly, to the original Bevin scheme of basing demobilization on a combination of age and service; but for that principle, troops in this country with nothing to do could be released. Under intense public pressure the Government has sharply speeded up the operation of the scheme, but it still has not furnished the public with enough information to allay doubts on the two critical points raised by Mr. Churchill—whether the target figures for the desirable strength of the Navy, Army and R.A.F. are not too high, and whether these targets are being reached quickly enough. All the time there is another section of opinion, small and non-vocal but possibly farther-sighted, which wonders whether we are wise to reduce our armed strength so greatly as the Government is intending to reduce it. But what all schools of thought are united in asserting is that, in our crying need for exports and for civilian goods, we cannot afford to watch any part of our man-power remaining unproductive.

### FIRST PEACE BUDGET

THE second Budget of 1945 (and the first peace-time Budget since 1939), which Mr. Dalton introduced on October 23, was scanned anxiously from the same angle. Would it afford sufficient stimulus to high productivity? The Chancellor announced that from April next the standard rate of income tax would be reduced from 10s. to 9s. in the £, the tax-free personal allowances would be raised for single persons from £80 to £110 a year and for married couples from £140 to £180, and the incidence of tax on the next £125 would be shaded in the taxpayer's favour. These changes will cost

£322 million a year, but will be offset by a saving of £225 million on post-war credits, which are to be brought to an end. From wealthy taxpayers he proposed to recoup part of the income-tax reduction by an increase in surtax. To these changes the immediate reaction of the public was highly favourable, for they had hardly expected so large an apparent easing of their burdens. They were a trifle slow to realize, what Mr. Dalton himself astutely glossed over, that many families living on a few hundreds a year were on balance going to be slightly worse off, because their saving on current tax would be more than outweighed by the absence of any post-war credit. Maybe, however, they will say that a bird in the hand is worth two in the bush. Post-war credits have always seemed to be deep in the bush and a long way off, especially as no Government will pay them out until goods are much more plentifully available, and the risk of consequent inflation is past.

The Chancellor refused a vociferous demand to lift the purchase tax off new cars, but wisely removed it from many kinds of domestic equipment needed for the housing programme. It had been hoped that he would also abolish Excess Profits Tax, which is bound to become more and more anomalous in its incidence as time goes on, being based on the standard of profits earned eight or ten years ago. Instead, he reduced it from 100 per cent to 60 per cent; the new figure is less onerous than perhaps it sounds, for all profits would pay income-tax at 45 per cent (9s. in the £) in any case.

It was an able Budget for the first year of a Labour Government, for it alienated nobody, and directly pleased many. The raising of the personal allowances will entirely relieve from liability at least two million people who are at present paying tax. Criticism of substance which can be levied is that the Budget offers no sufficient recognition to the importance of incentive just now, in that it fails to terminate Excess Profits Tax, or to restore the earned income allowance (on earnings up to £1,500) to the level at which it stood before 1941. But what has caused deeper concern is the discovery, from Mr. Dalton's Budget speech, that in spite of the end of both wars the national expenditure in the current financial year will be but little lower than Sir John Anderson's estimate in April, and the estimated deficit very much the same. Small wonder that even some who voted the Conservatives' out of office in July begin to ask—perhaps belittling this Government's practical difficulties—whether it could not impart Churchillian drive into more of its actions.

#### DOSES OF SOCIALISM

YET its legislative programme bears all the appearance of keen energy, and it is making the House of Commons work harder than it has for years. The three-day Parliamentary week of the war years has been lengthened to a five-day week, as before 1939. Under new proposals approved by a Select Committee for the speedier dispatch of business, practically all Bills are sent to a Standing Committee. Several of the early Bills have been carried over, practically without change, from the Coalition programme. An important measure to authorize the continuance of wartime controls for another five years—the Supplies and Services (Transitional Powers) Bill—was hotly challenged by the Opposition, who unsuccessfully moved an amendment to

cut the period to two years, and to require annual renewal by Parliamentary sanction thereafter.

A Bill to nationalize the Bank of England by buying out the private stockholders was hailed by Labour supporters as the fulfilment of a long-cherished party aim. The stockholders, whose dividend had been stabilized at 12 per cent for many years, are being compensated with sufficient 3 per cent Government stock to bring them the same return—terms which generally are accepted as entirely equitable. Conservatives and, from his independent position, Sir John Anderson derided the Bill as being either superfluous or, if it was not superfluous, potentially harmful. The harm crouched in a provision which would grant to the State-controlled Bank of England the power to give directions to other banks. In practice, a hint from the Bank is never ignored. But henceforward the iron hand will be within the velvet glove. Will compliance be readier or more loyal? The Labour Party, after all its talk in 1931, was bound to take some such step. The Opposition points out, not without force, that the new power could be dangerously misused, for compelling the banks to depart from sound banking practice in order to serve the sectional purposes of a political party.

The transformation to Socialism, promised in the Government's election programme, is beginning to go ahead along a wider front than many people expected. The Imperial telecommunications system of Cables and Wireless is to be taken over by the State. This follows upon the recommendation of a Commonwealth Conference. More startling to those concerned was the announcement that the Government intended to throw over the plan for civil aviation agreed upon by the Coalition—and criticized as too bureaucratic in the June issue of *THE ROUND TABLE*\*—in favour of a far more bureaucratic scheme in which privately owned agencies such as the railways and shipping companies would have no financial stake. Not all Ministers may agree, in their heart of hearts, that this new scheme will equal the old in its capacity to stand up to the far more flexible organization of American air lines. But nothing less would be likely to satisfy the Labour Party's rank and file, intent on internationalism in the air and on preventing privately owned corporations from stretching out into a new field.

#### SCYLLA, ATTLEE AND CHARYBDIS

MR. ATTLEE and Mr. Herbert Morrison, who presumably acts as chief architect of policy, have to steer their victorious party through a narrow channel. On the one hand, they are obviously planning a full five-year programme of legislation, which they may claim as a good instalment of Socialism by the time when they have to face the electors again in 1950. They can afford to make no slip. If the legislative output is moderate enough in conception not to frighten the middle-class voter, they can hope for power for a further five years, in which case by 1955 they will be well towards their declared aim of creating the Socialist Commonwealth of Great Britain. But if the middle-class voter is Scylla, their own less responsible supporters are Charybdis. These quickly started to press the Cabinet for an immediate rise

\* See *THE ROUND TABLE*, June 1945, No. 139, p. 240.

in old-age pensions, but the Cabinet resisted on the ground that it must await and be integrated with the general social security proposals, which may not be ready for presentation before next year. Then these friendly rebels proceeded to defeat the Government on an amendment in Committee to the Industrial Injuries Bill, a substantially agreed Coalition measure which remodels and modernizes the system of workmen's compensation. If this is party discipline after four months, what will it be after four years? Need the Conservatives do more than watch the Parliamentary Labour Party disintegrate? Lest Conservatives should rejoice too soon, let it be said that a manifest failure of the Labour Government within the next year would be much more likely to precipitate a swing farther to the Left than back to the Right.

### HOUSES THE TEST

THE public are profoundly troubled about the foreign situation and the state of Europe. But they trust Mr. Bevin, and their anxiety does not reach the same order of acuteness as it used to do in the days when a superior German air force was threatening us. Where millions of families at this moment feel the pinch of the shoe is at home, in the most literal sense. Mr. Aneurin Bevan, the Minister of Health, has to produce the houses. In a recent housing debate his passionate Welsh oratory won him a Parliamentary triumph. But words alone do not build houses, and it is houses that the people want. They will be ruthlessly critical if they do not get them. Building labour is the bottleneck, and thus we hark back to the pace of demobilization. Mr. Bevan is, rightly, not going to enlarge the Coalition programme of temporary bungalows. He intends to use the local authorities as his main instrument for building. In years to come, few people will be able to say, "My house was built in 1946 or 1947, but it is not a Council house". Licences for private building of new houses may be given, but only if the cost does not exceed £1,200. That would have been a £600 or £700 house before the war. True to its political theory, this Government has rejected the plan adopted by Mr. Bevan's predecessor of offering a subsidy on houses built by private enterprise. But if the exceptional war-time cost of building is not offset by subsidy in some such way, it seems hardly likely that private people will go ahead with any building at present costs, except in case of dire local necessity where the local authority refuses to move.

### MUNICIPAL ELECTIONS RESUMED

HOUSING was made the predominant issue by all parties at the municipal elections on November 1 throughout the country. These were the first local government elections since the spring of 1939. At the beginning of the war it was enacted by Parliament that sitting councillors should continue in office, and that casual vacancies should be filled by a system of co-option. Under a gentleman's agreement which was almost universally observed, the party to which a councillor belonged who had retired or died was, in practice, given the opportunity to nominate his successor. On November 1, 1945, the normal procedure whereby one-third of the members of a borough



council retire each year was resumed, and in addition, as a special measure, all the seats held by co-opted councillors were treated as falling vacant.

The results had the same landslide character as at the Parliamentary election four months earlier. Besides the councils which it already held, Labour gained control of Leeds, Bradford, Hull, Nottingham, Leicester, Northampton, Bristol, Plymouth, Southampton, and many other large towns. In London, where the electoral system is different and all the councillors retire together, the poll gave the Labour party control of 22 out of the 28 metropolitan borough councils, with a total of 1,029 representatives, against only 321 Conservatives and 18 from other parties.

#### PARTIES AND PEOPLE

It had not been expected by anybody that these municipal elections would reveal any quick swing of the pendulum against the Labour party, still filled with exuberant confidence from its July successes. Nevertheless, they disappointed Conservatives who were hoping for signs that the tide was beginning to turn. The truth is that Labour's victory in the General Election was no momentary flash in the pan, but the reward for many years of skilful and untiring though often unscrupulous propaganda, self-advertisement, and undermining of the moral prestige of the main rival party, the Conservatives. All this has gone deep, and it will stay for long, unless the Labour party in power makes mistakes which discredit it. The first five Parliamentary seats for which by-elections have had to take place have gone as they did in July; they, like the municipal elections, have shown no shift of opinion yet, and the size of the majority in every case but one has varied by only a few hundred votes from the General Election. The solitary exception was Bournemouth, a safe Conservative seat, where the majority fell sensationally from 20,000 to 6,000, apparently because Mr. Brendan Bracken was an unpopular candidate for whom thousands of Conservatives could not vote.

Parliament has several major new Bills promised to it before next summer: for a national investment board, speedier acquisition of land, compensation and betterment, nationalization of the mines, repeal of the Trade Disputes Act, a national health service, and a comprehensive social insurance scheme. Several of these will be highly controversial. If the Government back-benchers are sometimes disunited, the Opposition does not yet seem to have got into its stride, and Conservative back-benchers are inclined to say that, for the Parliamentary effectiveness of the party, Mr. Churchill and the other ex-Ministers do not yet take the rank and file sufficiently into their confidence. This is a young Parliament in every sense, and its prestige at present stands high. But it is hard to pick out the great men of ten years hence. A country yearning for leadership finds itself with not many great men capable of leading. If all the numerous improvements in life which politicians have encouraged the people to expect "after the war" are not delivered in reasonable time, Demos may be unforgiving.

Great Britain.

November, 1945.

# CANADA

## FINANCIAL STRESSES IN A FEDERAL SYSTEM

A FRESH effort is now being made in Canada to achieve overdue readjustments in the relations, particularly in the financial field, between the Dominion and the Provinces. In 1866 the architects of Confederation could not foresee and make provision for the immense changes which have overtaken Canada in the years since elapsed; and certain of the arrangements which they embodied in the Canadian Constitution have become so obsolete or are working so unsatisfactorily that a large body of thinking opinion is now convinced of the urgent necessity for drastic changes in them. The basic aim of the framers of the British North America Act was to build a Federal structure as a foundation link of national unity; but they could only secure the support of the different Provinces for it by leaving them a large measure of autonomy, which made each of them master in its own house over matters directly concerning them and only indirectly the Dominion. Under this plan jurisdiction in a number of fields of administrative activity was specifically allocated to the Provinces, and it was assumed that the sources of revenue reserved for them would be amply adequate for meeting their responsibilities.

This calculation held good until the close of the first world war, but the heavy expenditures involved in the progressive development and expansion of such services as education, electrification and good motor-roads soon put a severe strain on the financial resources of the poorer Provinces. However, it was the steady enlargement of social services during the era between the wars that involved the less fortunate Provinces in critical financial embarrassments. In only a few of the Provinces did the expansion of their revenues through the increase of general prosperity keep pace with the growing demands upon them; and the reckless extravagance of certain provincial ministries, who scorned to cut their coat according to their cloth, piled up for their people a load of debt, whose annual charges worsened the plight of their public finances. But there was no uniformity in the position of the provinces. Ontario and Quebec, which harbour between them two-thirds of Canada's total population, and contain the chief centres of industry, have enjoyed since the present century began a huge increment of their wealth through the expanding development of their manufactures, mines and forest wealth. Consequently they have been able to finance their social programmes with comparative ease and dispense their benefits on a more generous scale than has been possible for poorer Provinces, which were involved in recurring financial crises. It became a settled habit of the latter to appeal for succour to the Federal Government and, when it doled out special payments or loans to the suppliants, the taxpayers of the richer provinces, who were the heaviest contributors to the Federal revenues, complained that their burdens were being increased through the improvidence of the weaker brethren.

When it became clear in the 'thirties that such a situation was impairing the unity of the nation and demanded timely readjustments before it was too late, the King Ministry in 1936 bestirred itself to tackle the problems involved. As a start it appointed a Royal Commission, whose membership, including as it did such eminent figures as the late Chief Justice Rowell of Ontario and the late Mr. J. W. Dafoe, the editor of the *Winnipeg Free Press*, commanded authority and respect, to make an exhaustive investigation with the aid of trained experts into the financial and constitutional arrangements of Canada. This Commission, whose labours occupied more than four years, produced in May, 1940, a very comprehensive report, covering every facet of the situation, and in it made a long series of definite recommendations for far-reaching reforms and changes. Meanwhile the Canadian people had become absorbed in the war; and when a Dominion-Provincial conference, which assembled in 1941 to discuss the report, proved abortive, largely through the non-co-operative attitude of the Provincial governments of Ontario and Quebec, the King Government decided to postpone any further discussions of the problem until the war ended.

The end of the war in Europe set the King Ministry free to pay attention to this important problem, and at its invitation a Dominion-Provincial conference was held in Ottawa early last August. Representative delegations composed of their Premiers, several junior Ministers and various experts were sent by each of the nine Provinces and conferred with Federal Ministers in sessions which lasted four days. The King Ministry took the initiative by submitting to the conference a very comprehensive brief containing its basic proposals about taxation and a national programme of social welfare and economic betterment. In it the Provinces were invited to negotiate with the Dominion, without any waiver of their constitutional rights, new agreements in regard to taxation and the annual subsidies now paid to them by the Federal Treasury on a *per capita* basis. The Provincial governments as a temporary arrangement for the saving of administrative expenses had agreed for the duration of the war to refrain from imposing personal income and corporation taxes and also succession duties in return for financial compensation, which recouped them for their loss of revenue; and the Federal Government now proposed that this temporary arrangement should be made permanent. As baits to secure the assent of the Provinces, it undertook to increase the subsidies paid to the latter by the Federal Treasury to a basis of \$12 *per capita* by the count of the census of 1941, with provision for further increases in accordance with increases in population and in the gross value of the national income. It also offered to assume full responsibility for the payment of old-age pensions to all persons over 70 years of age and to share with the Provinces the cost of pensions for needy persons between the ages of 60 and 65 and of a general scheme of health insurance. In regard to unemployment there was proposed a division of responsibilities under which the Dominion would extend the present scope of unemployment insurance and pay unemployment benefits to insured unemployed who were employable, and the Provinces would take care of unemployables and self-employed persons who needed relief.

There was also included an offer to contribute Federal grants to the Provinces for public works which conformed to a national plan for the maintenance of full employment and enlarge Federal activities in connexion with basic surveys of natural resources and the stimulation of their development by such projects as the construction of roads into newly settled districts. And in its brief the Federal Government gave an assurance that "the Provinces would not be asked to make any binding irrevocable commitments in the proposed new financial arrangements" but it sought a guarantee for three years against their abrogation.

After the brief had been submitted, two western Premiers, Mr. Garson of Manitoba, a Liberal-Progressive, and Mr. Douglas of Saskatchewan, the solitary Socialist among the group, proclaimed their general satisfaction with the Federal proposals, from which their Provinces will benefit in a special degree. The other seven Premiers, however, whose views about them were very divergent, refrained from any commitment about them but agreed that they were acceptable as a basis for discussion after their terms and implications had been carefully studied. So, after a decision was reached that three months should be allowed for an exhaustive study of the proposals, there was established a co-ordinating committee consisting of Prime Minister King and the nine provincial Prime Ministers, which was authorized to create, supervise and co-ordinate the work of other sub-committees concerned with specific proposals. It will meet on November 26 for a further exchange of views. The conference, whose proceedings were completely harmonious, was not expected to produce any decisive results, and its revelation of a general disposition to recognize the need for radical readjustments and evolve some workable formula for them was rated a satisfactory outcome.

But the reactions in certain Provinces to the proposals and public pronouncements by some of their Premiers have darkened the prospects for a unanimous acquiescence in the plan of the King Ministry. The premiss that the more prosperous Provinces have some obligation to assist in alleviating the burdens and disabilities of their less fortunate sisters does not provoke much dissent. But the proposal that the central government should acquire from all the Provinces their main sources of revenue and redistribute their proceeds on a plan formulated by itself means a revolutionary centralizing change in the structure of Canada's public finances. Admittedly the temporary transfer for the war years has made possible substantial economies in administrative expenses, but the increase offered in the annual Federal subsidies would only raise their total from 125 to 138 millions per annum; and for most of the Provinces their share in the increment does not constitute a very alluring bait for their consent to make permanent an arrangement under which Ottawa would secure a stranglehold upon the public finances of Canada and the provincial ministries would be reduced to the rôle of mere annuitants of the Federal Government.

#### RESERVATIONS IN ONTARIO

MOREOVER the proposal that a basic pillar of the structure of Confederation should be removed and financial power centralized in Ottawa may encounter

in the English-speaking Provinces a formidable obstacle to its cordial acceptance in the widespread disquietude which many of their citizens feel over the fact that, as the result of the last Federal election, the French Canadians, whose influence at Ottawa has been very potent since 1921, are now in a more commanding position than ever before to make their influence felt in Federal policies. This suspicion of French-Canadian domination at Ottawa is particularly deep in Ontario, the largest Canadian Province; and its Progressive-Conservative Premier, Colonel Drew, had perforce to walk warily in connexion with the new proposals. At the conference he surprised the Federal Ministers by his helpful attitude and promised careful study and sympathetic consideration of their scheme. He had obviously fulfilled his promise about careful study before he delivered a public pronouncement of his views in a speech at Toronto on October 1. Refraining from any discussion of the details of the scheme, he did not condemn it completely; but he made it plain that he was not prepared to endorse a revolutionary change, which would, as he described it, make the Provinces "puppets" of Ottawa. The following passages from his speech indicate clearly the attitude which he will adopt when the conference resumes its labours.

"I think we should attempt to combine the full legislative authority of the Dominion and Provincial governments upon the most efficient basis of co-operation that can be worked out. We should eliminate all duplication of service wherever possible. We should seek definitions of the measure of responsibility to be assumed not merely by the Dominion and Provincial governments but also by the extremely important governments of our municipalities. I am sure that each one of us wants to see that form of government which will contribute most to the strength and welfare of the whole of Canada emerge from these conferences.

"Having said that, I wish to express my own conviction that Canada will be served best by the very form of Federal Government which was decided upon in 1867, with such adjustments as are necessary to make it conform in every way to the advances we have made as a nation in these intervening years. It is neither in our own interest nor is it in the interest of Canada as a whole, I think, that we should abandon the control over education in this Province, the social welfare of our people and other matters of vitally important local concern. Neither should we hand over to others the decision how and when and in what measure our natural resources are to be developed.

"Nothing I have said should be taken as an argument against uniformity of legislation and administration in these fields. I believe that a high measure of uniformity of legislation and simplification of tax collections is a vital necessity. Neither should anything I have said be interpreted as an objection to the pooling of our resources for the welfare of Canada as a whole. I believe that Ontario with its many manifest advantages should take her full share in building the strength and security of every part of Canada. But all that can be accomplished by agreement without abandoning any fundamental constitutional safeguards."

#### OTHER DOUBTERS AND OPPONENTS

IN the light of these observations of Colonel Drew, it can be assumed that his Ministry will require great modifications of the King Government's proposals before it can accept; and an even cooler attitude towards them can be expected



from the provincial ministry of Quebec, which is in the hands of M. Duplessis and his *Union Nationale* party. The average French-Canadian, irrespective of party ties, is a passionate believer in provincial autonomy. Any signs of the encroachment of the Federal authority in provincial affairs arouses suspicions that his cherished racial rights about language, religion and education may be endangered by it; and he feels that he has more to lose than his Anglo-Saxon fellow-citizen by any change which savours of greater centralization at Ottawa. So, while Premier Duplessis contributed to the discussions at Ottawa a conciliatory speech, in which he agreed to examine the proposals without prejudice, he was careful to enter a *caveat* that the basic principles of Confederation must not be cast aside; and his past record has shown him to be an obdurate stickler for the maintenance of provincial rights. The general attitude of the French-Canadian press is that collaboration for judicious changes in the present arrangements must not entail any abdication of basic provincial rights.

Ardent enthusiasm for the aggrandizement of the powers of the King Ministry could hardly have been expected from political opponents like Colonel Drew and Mr. Duplessis; opposition from friendly quarters, such as the provincial Liberal party of Nova Scotia is showing, is much more disconcerting. During a general campaign which resulted in its return by a reduced majority its candidates, downwards from the provincial Premier, Mr. Angus Macdonald, lately a member of Mr. King's Ministry, took what its official organ, the *Halifax Chronicle*, commended as a "vigorous and courageous stand" against the proposals. "The Liberal party", wrote the *Chronicle* on October 12, "regards the Dominion's financial proposals as unacceptable in their present form on the good ground that they fail to take into account all the hard-won reformation of inequities in the original Confederation agreement and put Nova Scotia in the position of having 'to start out from scratch again'."

So Mr. Macdonald, the senior of the Liberal provincial Premiers, will go to Ottawa with a definite mandate to oppose the proposals; and, in addition to the support of his colleagues from Ontario and Quebec, he can count with reasonable certainty upon the backing of the Premier of Alberta, a Social Creditor, who interprets a plan for the centralization of financial control at Ottawa as a sinister effort to frustrate a desirable radical reform of the whole monetary system. Under these circumstances it would appear that the King Ministry is likely to encounter considerable difficulty in achieving the radical rearrangement which it proposes.

#### PROSPECTS OF RECONSTRUCTION

THE sudden surrender of Japan last August caught the Canadian Government with its plans for the smooth transition of the national economy to a peacetime basis only in the formative stage. Such planning for post-war reconstruction as had been undertaken was predicated on the assumption that for a considerable period after the war the wheels of industry and business would be kept turning steadily to provide full employment in meeting the huge backlog of unfilled demand for civilian goods, which had piled up during the

war years through restrictions upon their production and in making good the nation-wide deficiency in housing. So there could be kept in reserve for the maintenance of employment a programme of public works, which the Government would finance; and Mr. Howe, the Minister of Reconstruction, expressed confidence that there would be no need for immediate resort to it.

The paramount problem was to reabsorb in satisfactory civilian employment the 40 per cent of Canada's total labour force, numbering about 1,750,000 persons, which had been drawn into the armed forces or war production. After VE day, when a sharp curtailment of orders for war materials occurred, the Government began to encourage the resumption of the production of goods for civilian consumption by a gradual relaxation of the controls over essential materials. Since VJ day the shrinkage of war production to very modest dimensions has permitted an acceleration of the process of abolishing controls; and as a result the output of numerous kinds of civilian goods has been mounting steadily. But in most cases the supplies flowing to the market are still far short of the demand, because manufacturers have been seriously handicapped by a scarcity of vital materials like metal castings and by difficulties about securing machinery for the retooling of their plants.

So far in regard to employment the rather exuberant prediction of the Minister of Reconstruction that there would this winter be two jobs available for everybody seeking work has not been fulfilled. A very substantial number of returning veterans and displaced war workers have been reabsorbed in employment and the National Employment service reported that on October 5 the number of unfilled vacancies for workers, 145,580, exceeded by about 9 per cent the number of applicants, 133,190. But unfortunately the distribution of the available employment is uneven; for example Ontario on that date had 64,278 vacancies available for 43,821 applicants, but unemployment had raised its head in the cities of Quebec, where Montreal had only 19,494 jobs listed for 26,714 applicants and Quebec City 2,701 for 7,503. A parallel situation prevailed in British Columbia. There is also visible a reluctance on the part of workers, who had earned abnormally high wages in war plants, to accept the lower scales which many manufacturers say that they cannot exceed, now that they have to sell their products in competitive markets. At the same time the epidemic of industrial unrest, arising chiefly from dissatisfaction with wages, which has been rife in the United States has spread over the border to Canada. Serious strikes in motor-manufacturing plants and coal-mines have dislocated the plans of other industries, while the threat of a nation-wide strike in the meat-packing industries, which would create a critical situation about food-supplies, has impelled the Federal Government to take over all the plants of the chief packing companies. There is evidence that both employers and workers regard the wage disputes in the motor-manufacturing and meat-packing industries as test cases and, if a mutually satisfactory settlement of them could be achieved, the example set would probably be followed in other industries, with the consequence that post-war reconstruction could not be hampered by the absence of the necessary co-operation between employers and labour. Another source of trouble is that

so few workers are now willing to be classified as unskilled labour, for which there is an almost unlimited demand. But, as savings become exhausted, there is an increasing disposition on the part of the workers to take the best job offered to them, provided the pay is adequate for their needs.

Meanwhile the Federal Government in its first post-war Budget has alleviated the heavy burdens of the Canadian taxpayers by a uniform cut of 16 per cent in the personal income tax, and has pared down the Excess Profits Tax sharply from 100 per cent to 60 per cent for the purpose of helping industry and business to solve their problems of reconversion and undertake plans for expansion. There is, however, ground for some anxiety about the financial situation of the Federal Government, since this last Budget could only forecast total revenues of 2,515 million dollars for the current fiscal year to meet total expenditures estimated at about 4,650 millions. The resulting deficit of over 2,000 million dollars will not be met unless the campaign to place the ninth Victory Loan now in progress produces over-subscriptions heavily in excess of the minimum limit of 1,500 millions set for it.

There is no expectation that the national income of Canada, which increased from about 3,900 million dollars in the last pre-war year to a peak figure of about 9,000 millions in 1944, can be maintained at the latter level in the years immediately ahead. But there are several favourable factors which offer good assurance against its decline to the pre-war scale. The war has been responsible for both a substantial enlargement of and a much greater diversification in Canada's industrial structure; and many articles, which had to be imported previously, can now be produced at home. Housing programmes which are being carried out or projected will provide the building industries with ample work for some years ahead, the forestry industries are all prospering through the heavy demand for lumber and paper products and, while mines producing base metals suffer from the cessations of orders for munitions, the gold-mining industry, from which labour was diverted during the war, is now recovering it and is in a position to expand its output rapidly. Canadian agriculture was set on its feet by the bumper crops of 1944; but while there has been no repetition of them in 1945, a harvest which is up to the average in most sections promises to maintain rural purchasing power at a satisfactory level. So Canada has a reasonable prospect of preserving for some years the rather high level of prosperity which the industrial boom of the war years has produced for her.

But it must be added that there is considerable anxiety about the long-range problem of the preservation of that prosperity. It has been estimated that about 35 per cent of Canada's productive capacities before the war was devoted to goods destined for export; and, while the heavy outflow of munitions and war equipment has swollen her exports during the war, its cessation will alter the picture and Canada will be faced with the problem of recovering foreign markets for her exportable surpluses of foodstuffs, lumber, minerals and other natural products. These must be disposed of at profitable prices to assure general prosperity. At present, with Europe in a state of economic chaos, the British market remains the most promising outlet for

them. For this reason keen interest and a certain measure of anxiety attaches to the Anglo-American fiscal and trade negotiations which have been in progress at Washington; and in view of the issue about the abolition of imperial preferences which has been raised and which has a vital bearing upon Canada's tariff policy and economic fortunes, many manufacturing and business interests feel that they cannot lay their plans for the future with any confidence until the outcome of these negotiations is known.

Meanwhile a sharp controversy has developed at Ottawa and in the country over a bill called the National Emergency Powers Act, through which the King Government aims to keep alive for another year many of the arbitrary powers conferred upon it for the period of the war by the War Measures Act. Influential spokesmen of the business and industrial communities are protesting against the retention of even modified controls, which they contend will be brakes upon the speedy reconversion of business and manufacturing establishments to normal peace-time activities. They maintain that at a time when the United States is moving fast to free its people from war restrictions and the supply of consumer goods south of the international boundary is increasing by leaps and bounds, it is folly for Canada not to follow the example thus set and that the resulting slowness of reconversion will impair Canada's ability to compete in export markets. The case which Ministers and their officials present against these arguments is that Canada is still faced with the pressure of war-inflated costs, and, if price and wage controls still in effect were lifted, there would ensue a dislocation of the economic equilibrium which would soon set the vicious spiral of inflation revolving with calamitous results. It is pointed out, for example, that when some time ago the price of rye was exempted from the ceiling on grain, it doubled in a comparatively short time; if it had been a major kind of animal food or industrial material, the Government would have been swamped with demands for price adjustments from the interests affected. Mr. Donald Gordon, the deputy-governor of the Bank of Canada, who has as Chairman of the Wartime Prices and Trade Board administered the price-ceiling system with such efficiency that the rise in Canadian prices during the war has been far smaller than the rise in the United States, declares that "it would be madness to remove price control when the very conditions of incipient inflation, which it was established to combat, are visible on every hand". The Government is committed to support his policy; and so it will not agree to the demand of the official opposition for early removal of price and wage controls. But it will undertake to terminate them as soon as the danger of inflation has passed.

Canada,  
October, 1945

[The Editor regrets that the usual quarterly contribution from India was received too late for inclusion in this issue.]

## AUSTRALIA

### THE CAREER OF JOHN CURTIN

THE final V-Day, being VP-Day, had significance in Australia corresponding to that of VE-Day in the Motherland, and was celebrated accordingly. The Victory celebrations combined quiet thankfulness and solemn religious observance with wild rejoicing—natural reactions, according to temperament and outlook, from long-drawn-out stress and strain. The end came with some shock of surprise, following upon forecasts of another year or two of war. There is a very general feeling of regret that the war leadership of Mr. Churchill did not last a few more weeks, until the end of the world war, and that his voice was not heard—incomparably eloquent—in the proclamation of peace. He has his unique place in all our hearts.

The loss by death of our own Prime Minister, Mr. John Curtin, occurred as the last quarterly article was being dispatched. He died, at the age of 60, on July 5, just a month before Japan sued for peace: the objective towards which all his energies had been directed since he assumed office two months before "Pearl Harbour". The occasion was marked by widespread public mourning, and by striking tributes to Mr. Curtin's great service to his country and the cause of freedom. It is remembered very specially to-day that he and his Government (in consultation with the Government of New Zealand) took the initiative in the approach to the United States which resulted in the appointment of General Douglas MacArthur as Commander-in-Chief of the Military Forces of the South-West Pacific. (The two men formed a close personal friendship which had much to do with the smooth functioning of the main Australian war effort.)

Mr. Curtin had a remarkable career. His father was a sergeant in the Victorian police force, and he left school at the age of 14 to work for his living, taking a number of very humble jobs. Later, he was secretary of the Victorian Branch of the Timber Workers Union for four years; and in 1917 he became editor of *The Westralian Worker* (a Labour weekly), and made his home in Western Australia. He was contesting elections for the Commonwealth Parliament before he was thirty years old; but he was not successful until 1928. He was defeated in 1931, but re-elected in 1934; and he sat in Parliament continuously thereafter. When Mr. Scullin (the Labour Prime Minister of the depression years) resigned his leadership of the Party, for reasons of health, in 1935, Mr. Curtin was elected as its leader by a majority of one over the present Deputy Prime Minister, Mr. Forde; and he led it with conspicuous ability and success for a record tenure of nearly ten years—to its present very strong position. He grew with the responsibilities of office: in his case such responsibilities as no previous Prime Minister had had to shoulder; and he showed that mark of quality—the capacity to learn by experience, and to broaden his views in the conduct of large affairs. His party loyalty and his



patriotism were each for him a kind of religion; but they were not always easy to reconcile in practice, under the strains of war; and the resulting stress had much to do with the breaking down of his health. It is said that he had vowed never to split the party, as other Labour Prime Ministers had been impelled—by force of national circumstances—to do; and it is perhaps not too much to say that that vow broke him.

For Mr. Curtin the question of a "national" government—for the purposes of total war—just did not arise, since the rules of the Australian Labour Movement prohibit Labour from entering into coalition. This has proved to be a fact of major importance in the history of Australia—however its consequences may be interpreted. (The Advisory War Council was a *pis aller*—introduced, as such, by Mr. Menzies. Its eventual breakdown in 1944, as a united war effort by the parties, was the inevitable outcome of co-operation without commensurate responsibility.) All comprehensive war-time powers cannot safely be entrusted to any one political party, with confidence that they will not be used for party purposes: least of all to a party which comes into power while the war is on, convinced that it has a mission to reform the social order. That has been our main political problem during the war; and it became Mr. Curtin's own problem. For his evolution from party leader to national leader was quite remarkable; and at the 1943 election he gave pledges (often quoted since by political opponents) not to use war-time powers to advance Socialist policy. But he was not a free agent; and he could not insist on loyalty even from his colleagues in the Ministry—since these are not chosen by the Prime Minister himself, but are elected to the Ministry (though not to their specific offices) by the party caucus. He had, in fact, to disclaim responsibility again and again for embarrassing utterances by certain of his colleagues, whom he was apparently not in a position to discipline—short of staging a major crisis in the party. Yet his ascendancy was evidence of his leadership; he held the party together on a steady line of policy; and it knew how much his leadership meant to the Labour cause.

#### FIRST STEPS OF THE CHIFLEY GOVERNMENT

ON July 6 the Deputy Prime Minister, Mr. Forde—who had just resumed as Acting Prime Minister, on his return from San Francisco—received commission to form a Ministry, pending election by the Labour caucus of a successor to the leadership of the party; and the members of the Ministry were sworn in, without change—except that Mr. Beasley became Acting Minister for Defence (*vice* Mr. Curtin). On July 12 the Treasurer, Mr. J. B. Chifley, was elected as leader by a large absolute majority; and Mr. Forde was re-elected as deputy. Mr. Chifley was sworn in as Prime Minister and the vacancy in the Cabinet was filled by the election of Mr. H. V. Johnson, member for Kalgoorlie, Western Australia. Only the necessary minimum of redistribution of portfolios was made: the Prime Minister retaining the Treasurership, and Mr. Beasley becoming Minister for Defence. New portfolios of Housing and of Immigration have been associated, respectively, with Works and with Information. The Ministry of War Organization of Industry had already been superseded by that of Post-War Reconstruction,

with which is now associated responsibility for the Council for Scientific and Industrial Research. Mr. Chifley has declared that he "will follow in the footsteps of John Curtin and will carry out the policies and ideals for which he stood"; and he has told the party quite plainly that Mr. Curtin "was hurt not so much by Opposition attacks as by dissent within the Labour movement", and that "the country will not stand for dissension in any movement, Labour or otherwise".

When Parliament resumed under the new Government on July 17 the principal item on the order paper was the Australian National Airlines Bill. This followed lines already indicated.\* The specific provision is for a commission of five, to control and operate Australian inter-State airline services, with power to establish and maintain international air services; but subject, meanwhile, to the constitutional limitation which excludes the Commonwealth from intra-State activity. The Commission is subject to ministerial direction in major matters; and the Minister may, in particular, direct the commission "to establish or alter, or continue to maintain, any particular air service". Private companies will not be allowed to compete on any route operated by the Commission: any airline licence now held being automatically rendered inoperative when the Commission has established, under the Act, a service on the same route (subject, in both cases, to provision by the Commission of services "necessary to meet the needs of the public").†

At the end of July the Prime Minister announced a recess in August, of which the duration would depend upon how quickly a certain programme of legislation was completed. As Parliament had been sitting continuously since February and the session had been exceptionally strenuous, the response was unanimous. The measures in question were passed with little or no discussion—including the Banking Acts (in the Senate) and the Airlines Act. Before Parliament went into recess, on August 3, the Minister for Immigration announced draft agreements with the British Government on migration providing (1) free passages to Australia for British ex-service men and women and their dependants, (2) assisted passages to civilians in the United Kingdom; but the Government plans on this major question are at present so nebulous—and so bound up with its policies for demobilization, rehabilitation, housing and "full employment"—that no more can usefully be said about them here.

Immediately the House went into recess, and to some extent before, the political scene shifted to the by-election contest in Western Australia for the Fremantle vacancy caused by the death of Mr. Curtin. This was regarded as an important trial of strength, and for a week or two nearly all the "big guns" of both Government and Opposition were streaming back and forth. The spirit of the election seems to have been excellent; and the result is regarded as an important win for the Government. The successful candidate, Mr. K. E. Beasley, was a teacher (and President of the Teachers' Union).

\* THE ROUND TABLE, June 1945, No. 139, p. 270.

† Towards the end of September, Australian National Airways Pty. Ltd. initiated legal steps to contest the validity of this legislation—on a number of alternative counts.

The other important event of the month's recess was the periodical Premiers' Conference: elevated to first-rate importance, on this occasion, by the sudden ending of the war, and by the refusal of the people (in August 1944)\* to grant the Commonwealth the comprehensive powers for post-war reconstruction for which it had asked by referendum. Agreement was reached for co-operation on the large schemes of Soldier Settlement and Housing which are urgently necessary; on continuance of Price Control for some post-war years; on proceeding actively with the great plan of Railway Gauge Standardization (long overdue); on a scheme of De-centralization of Industry, based on a report by the Secondary Industries Commission; on relevant matters of the Commonwealth Reconstruction Training Scheme; and on a variety of other matters. As the tentative agreements have to be submitted, in legislative form, to the State Parliaments, they may come up for more detailed consideration in that context.

In all such transactions, the Commonwealth Government, under our present system of taxation,† holds the whip-hand, through power of the purse, and is therefore able to get very much its own way whenever the matter in question is of urgent importance and involves large expenditure. The Prime Minister (as Treasurer) told the Premiers quite plainly in August that the war had placed the Commonwealth in a position of financial authority, from which it was unable and unwilling to retreat.

There has been some easing of the control of man-power, of capital issues, of import restrictions, of building, and of other less important activities; but, as yet, in spite of insistent public demand, little general relaxation of controls. Rationing of both food and clothing will continue while scarcities persist. This is felt to be fair while there are acute scarcities in Britain and other Allied countries; but other controls that remain will have to be specifically justified, and kept to a minimum in range and duration.

Meanwhile the Government's most serious problem is the prevalence of labour unrest: confined not only to private enterprise, but occurring also among employees of governments and municipalities, despite the provision of a great variety of general and special tribunals for the legal settlement of disputes. The most serious have been the continual coal strikes, occurring at a time of exceptional demand; keeping industry and State utilities alike on hand-to-mouth supplies for long periods, and causing quite unnecessary railway, gas and electricity restrictions, to add to the cheerfully borne essential inconveniences of a war-time economy. There has been frequent refusal to accept Arbitration Court decisions, or even to agree to arbitration on variation of award sought by an employing body on legitimate grounds.

#### AUSTRALIA IN INTERNATIONAL COUNCIL

THE Report by the Australian Delegates on the United Nations Conference is an elaborate document, of somewhat uneven quality, but on the whole of historic value. It gives a clear account of the process from the Moscow Declaration on General Security (by the Governments of Soviet

\* See THE ROUND TABLE, December 1944, No. 137, pp. 76-83.

† See THE ROUND TABLE, December 1942, No. 129, pp. 86-7.

Russia, Great Britain, United States of America and China) in 1943 through Dumbarton Oaks and Yalta to San Francisco; and it explains how Australia had long been "preparing itself to play a fitting part in the shaping of a new international system". It gives prominence to the consultations of the Australian and New Zealand Governments during 1944, and points out that the Australian policy at San Francisco was based essentially on resolutions formulated at the Wellington Conference in November 1944 and approved by both Governments. These are set out in the first of the numerous Annexes to the Report; and they do, in fact, succinctly summarize the principles for which the Australian delegation contended—with a large measure of success—at San Francisco.

It is a matter for regret that no adequate background of public opinion had been built up in Australia for the delegation's strenuous efforts. Again and again, Parliament and the public were presented with *un fait accompli*—as, for example, in the case of the Wellington conclusions, which, coming as decisions in which the Government of another Dominion had participated, could not be made the subject of real debate in the Australian Parliament. As a consequence, the very strong line taken at San Francisco by the Minister for External Affairs came as something of a surprise to the Australian people, and had behind it no sufficient backing of declared Australian opinion. This is the more regrettable, since it is apparent from the Report that a notable contribution was, in fact, made to the United Nations Charter in the name of Australia.

A good deal of concern has also been felt—and has been expressed in Parliament and in the press—at the manner in which the Australian case was presented by Dr. Evatt. More particularly, there is anxiety about what appears to have been unnecessary assertion of Australia's independence of Great Britain, without any compensating indication of the underlying unity of the British Commonwealth of Nations; also about the bid for leadership of the smaller nations, over against the Great Powers (including Great Britain). Some positive resolution of this dilemma would have been welcomed in Australia, since it raises for us, in acute form, the whole problem of the British Commonwealth. Is it as the "tight little island", or as the world-wide commonwealth, that Britain is one of the Big Three (and the Big Five)? And is the standing of a Dominion in the world a matter of just her own power and prestige, or something she shares in with the Motherland and the other Dominions? We can't go on "having it both ways", while the rest of the world looks on and wonders what it all means. In Australia there is a growing opinion that some definite form must be found by means of which practical expression may be given to the continuous unity of the British Commonwealth of Nations. To this idea certain organs of the press are giving considerable publicity, and (just as this article is being completed) one writer of standing has put forward valuable concrete proposals in that sense.

The unfortunate manner of our able Minister of External Affairs was again exhibited in his vigorous public reaction to the Potsdam declaration and the problem of Hirohito: suggesting a certain lack of wise restraint in the conduct

of foreign policy and, perhaps, something of that greatest failure of democracy-in-action, viz. distrust of, and even disloyalty to, proved leadership—whenever one may disagree with it in detail.

### THE BUDGET

THE Prime Minister, as Treasurer, made his Budget speech on September 7, the day Parliament ratified the Atlantic Charter.

The budget for a financial year which began in war-time and which will be largely concerned with demobilization and rehabilitation and the general winding-up of the war effort is essentially transitional.

The reduction in "war expenditure" (covering all costs specifically related to the war) is estimated at about £100 million (from £460 million to £360 million); the Treasurer stated that relief in taxation is to be given by (1) an average reduction of  $6\frac{1}{4}$  per cent ( $12\frac{1}{2}$  per cent operating from January 1, 1946) in the taxation of individual (as distinct from company) incomes, (2) relaxation of sales taxation, to a total amount of £1,900,000.

There is to be no change in the general scheme of taxation, except one which is more or less formal, viz. division of taxation of incomes (after January 1) into two parts: (1) a "Social Services contribution", at a flat rate of 1s. 6d. in the pound on taxable income—based on a minimum exemption (for a taxpayer without dependents) of £104; (2) "ordinary income tax" on a graduated scale of rates ranging upwards from 3d. in the pound—based on minimum exemption of £200—to 15s. 2d. on income in excess of £5,000 (so that these latter incomes shall be subject to total taxation of 16s. 8d. in the pound). The Social Services contributions are to be credited to the National Welfare Fund—as also are the proceeds of the Pay-Roll tax: the total income of the fund for the financial year being estimated at £46 million. All Health and Social Services (including Child Endowment and Old-Age, Invalid, and Widows' Pensions) are now to be charged to that fund: the estimated total, £65 million, of these charges for the year being made up by the addition of £19 million, taken from the credit balance (£53 million) in the fund.

The ear-marking of the proceeds of income taxation on Social Services is known to have been controversial in caucus, since it has hitherto been Labour policy to change Social Service benefits to consolidated revenue. But the arguments *pro* and *con* have been all behind the scenes and a solid front will be presented in Parliament. There is some dim suggestion of "contributory" social insurance, though the great bulk of the tax will come from those who by reason of "the means test" on most of these "services" cannot themselves benefit; and there is nothing resembling an actuarial basis. But the essential fact seems to be the need, in the scheme of this transitional budget, to retain taxation of incomes between £104 and £200, as a source of revenue: tempered by definite guarantee that such taxation shall be used entirely for direct "insurance" of these taxpayers themselves. The distinctiveness of this tax would largely disappear if a common level of minimum exemption were to be subsequently fixed.

Australia, October, 1945.



## SOUTH AFRICA

### A TIME OF OPPORTUNITY

SOUTH AFRICA'S geographical position, and the nature of its trade relation with the rest of the world, have together produced during the past five or six years a degree of prosperity which has largely counter-balanced the wasteful expenditure of war, and created, as a result, conditions in many respects favourable to recovery and readjustment to peace: favourable at all events by comparison with those prevailing in the United Kingdom and other parts of Europe. Quite apart from our immunity from direct attack and its effects upon productivity, our export trade, far from declining, has, with the exception of such items as fresh fruit, flourished during the war. In addition to staples such as gold, gem diamonds and wool we have also found ready markets at satisfactory prices for base minerals, industrial diamonds, fresh and canned agricultural produce and, perhaps the second largest item, certain types of munitions which we have produced far in excess of the requirements of our own forces in the field. There are, of course, drawbacks to this somewhat artificial prosperity. We cannot hope to retain at anything approaching the war level this export trade in manufactured and processed goods, and its decline must, temporarily at all events, reduce the country's net income and create employment problems. But making every allowance for this drawback we cannot complain that, from a material point of view, we are not setting off on the road of peace to a flying start.

We are of course beset by the short-term problems common to all the United Nations: demobilization and the reabsorption of volunteers into civilian life; conversion from war to peace production and the finding of jobs for the war workers; the building of houses, of which there is a severe scarcity. These matters naturally top the list of the Government's present preoccupation, though it is too soon to judge what success will ultimately attend the Government's plans; but reference has already been made to these in previous issues of *THE ROUND TABLE*, and it is perhaps now timely to attempt an appraisal of the economic and political problems which lie a little farther ahead. These problems are themselves more difficult to define, and the success with which they are likely to be tackled more difficult to predict.

The war years have undoubtedly brought about a more widespread knowledge of the present weaknesses in our social and economic system and a more positive and compelling desire to remove these weaknesses. On the social side the world-wide drift to the left is reflected in this country in demands for social security, for free health service, for more vigorous attacks upon malnutrition and, in short, for everything which promises wider opportunities and better conditions for the under-dog. On the economic side, the reports of a number of commissions—one or two of which, surprisingly enough, can almost be described as best sellers—have revealed a

picture of maladjustment both in agriculture and in secondary industry which, if correct, calls for the most drastic and far-reaching reforms. Agriculture, it appears, is in a particularly bad way: farming systems are unscientific, efficiency is low, State guidance and assistance have in a large measure been short-sighted and the soil of the country is being wasted and eroded at an alarming rate. Industry is perhaps in somewhat better case; the war years have undoubtedly given an impetus to inventiveness and resource, but a recent Board of Trade enquiry sounds a note of warning for the future and recommends more intensive research and far more vigorous pursuit of efficiency, and the elimination of many small-scale productive units if secondary industry is to maintain its claim to State protection during the transition period from war to peace, and until it can "find its feet".

It is probably true to say that these weaknesses are the result of influences which began their operation during the last war, when the Union, of necessity, turned in the direction of economic self-sufficiency. This policy was not reversed when the war was over, and in the late 1920's and early 1930's the Government found itself obliged to subsidize and protect in order to maintain stability and save interests which had become "vested"; but no serious attempt was made to make the receipt of these benefits conditional upon improved efficiency. The influences of the last war have come into operation on an even larger scale during the past six years. For example, a considerable acreage, quite unsuited to the purpose, has been put under wheat—at 36s. a bag—while a number of small factories have been supplying the country with goods of doubtful quality to take the place of the unobtainable imported article. It is obvious, therefore, that, if the cost of living is to be reduced and if the principles of the Atlantic Charter are, even in a modified form, to be adhered to, "rationalization" both in farming and in secondary industry are imperative. The term "rationalization", which covers so conveniently a multitude of interrelated problems, covers, in this country in particular, the vital problem of the future of European and non-European labour, and their relationship to one another. The present state of affairs is far from healthy. There is a growing realization that prosperity rests, in the last analysis, upon the maximum use of man-power resources, and that this in turn means the education and vocational training of the non-Europeans so that they may take their place as efficient workers both on the land and in the factory. It is also realized that the payment of reasonably high wages for such efficient work will vastly increase internal purchasing power and thus give the necessary support to the growth of secondary industry. On the other hand, such a "rational" policy is so revolutionary by contrast with the relatively repressive trends which have been followed in the past that any government with conservative tendencies must hesitate to pursue it: it is opposed on economic grounds by the European workman, especially of the skilled class, who feels that his aristocratic and indeed almost monopolistic position would be challenged: it is opposed on political grounds as raising the dark spectre of miscegenation and the swamping of white civilization in southern Africa.

There is, however, no doubt that at the present time progressive opinion is gaining strength. There is a growing tendency to face the future realistically and with moral purpose; the man in the street may not have a very clear appreciation of past causes or of future difficulties, but he is keenly aware that things are not as they should be, and that the past is a record of short-term palliatives without a long-term plan. He is eager that a positive plan should be devised and adopted. The ex-volunteer in particular is very much on his toes; soldiers' parliaments, debating societies and a good deal of solid literature have aroused his interest in and increased his knowledge of the state of the country, and he is returning to civilian life with the soldier's characteristic question on his lips: "Well, what are we doing about it, why don't we get on with the job?" The present Government's answer to these questions, given by implication rather than expressly—carries one immediately out of the field of economics into the field of politics. The Government says, first, "You don't realize the difficulties." It says secondly, "Give us time; the reforms and changes you demand cannot be brought about over night." It says thirdly, "These reforms and changes if introduced too hurriedly will give rise to dangerous political repercussions, to temporary economic dislocation, and to the strikes and disturbances which such dislocation must cause." The extent to which these somewhat temporizing doctrines would be found really to reflect the bulk of public opinion if put to the test of a general election presents a political question of supreme interest and importance. The Government of the day is predominantly United party; the war-time coalition with the Labour party is likely to come to an end in the very near future, and it is a United party Government that will stand before the bar of public opinion at the next election. It is worth remarking here that there would seem to be a strong similarity between the South African United party and the Conservative party of Mr. Churchill; both are "conservative" in the English political sense of that term. The United party also has its left wing, which probably has much in common with the Tory Reform Committee of the Conservative party. But at this point the parallel between English and South African politics comes abruptly to an end. There is no party in South Africa which corresponds to the English Labour party, for the simple reason that there is no party here which represents the majority of South African labourers, namely the native labourers. The S.A. Labour party, while positive on the side of State control, is Socialist in name only, for it does not aim at socialization in the sense of a universal raising of living standards for the working classes, irrespective of colour. In these respects the Labour and Nationalist parties are closely akin, but the kinship is economic only, since, for the moment at all events, both parties are proclaiming that an alliance between them is out of the question, Labour being staunchly loyal to the Commonwealth, while the Nationalists stand for a *Herrenvolk* and Republicanism. We have therefore a political situation totally different from and, we venture to think, far more complex than that in the United Kingdom. If we may guess that Labour's sweeping victory in England was in effect a victory for the "progressives" rather than a violent swing towards full-blooded socialism, then the comment is apt that

progressives of the type which supports Mr. Attlee can find in present-day South Africa no political home. It is for this reason that there is so much talk and rumour of a new political party: the progressive spirit is striving everywhere, and "lets have an end to 'racial' politics and get on with the job" is its principal slogan. To this talk and rumour there comes back from the side of many government supporters the warning that the formation of a new party can result only in a victory for the Nationalists at the next election. The Nationalists, it is said, are anti-democratic, reactionary and republican; they will remain united, while the democratic pro-Commonwealth forces will be split. The progressives will get much support, but not enough, owing to the existence of strong "conservative" elements among the present government parties. Incidentally it is generally thought that General Smuts like Mr. Churchill is a Conservative, and it may therefore be supposed that the conservative elements would not be without a leader!

At the time of writing, therefore, a forecast of the future is more than usually difficult. South Africa stands at a climacteric in her fortunes: old problems have been rendered more acute and clamour for solution; new tendencies and forces are manifesting themselves, but the old tendencies and forces which have their origin in the remote past die hard. In addition there comes to anyone contemplating the complex scene with puzzlement the further saddening reflection that South Africa has not yet attained political maturity; that there is not yet fully aroused in the South African peoples that sense of responsibility and citizenship which in Great Britain seems to act as a check and a corrective to individual self-interest, and which seems to guide the people in times of crisis whether of war or peace in the direction of sane and balanced solutions. But it may be that South Africa's coming of age is really at hand, and if that be so, the next few years will witness great changes both in the economic sphere and in the political arena.

### MIGRATORY LABOUR

Up to the year 1870 migratory labour was very little known in the Union of South Africa and its adjacent territories. It was the discovery of the diamond mines at Kimberley that introduced it. The subsequent opening-up of the rich mines of the Witwatersrand entrenched it as an accepted, and for a time almost unquestioned, part of our South African economy. Actually it has only existed on a large scale for half a century. It therefore hardly deserves the aura of sanctity that has been thrown over it as a venerable institution, and it is no wonder that thoughtful men in the Union are beginning to criticize it and to suggest that some check be placed upon its development.

Hitherto the main magnet for migratory labour has been the Witwatersrand gold-mines. Domestic service has been another fruitful source of demand, and in recent years quite a number of secondary industries have been built up on the same basis. Industrialists are not accepting the system uncritically; many indeed are willing to consider modifications of it, and in

recent years they have received unexpected support from leaders of the farming community, who are concerned to secure a stabilized labour supply on their own farms. Farmers indeed are beginning to complain that they are subsidizing the gold-mines and certain industrialists by providing for families on their farms while the breadwinner or his vigorous young sons are working in the gold-mines at a wage based upon the supposition of a freeholding in the Reserves.

It is of course true that the gold-mines draw their labour partly from outside the Union, and so far as it comes from within the Union they draw it very unequally from different territories. On August 31, 1944, the gold-mines employed some 300,000 African labourers, of whom approximately only 140,000 came from the Union; another 50,000 came from the British Protectorates, chiefly Basutoland; nearly 90,000 from Portuguese East Africa, and about 25,000 from tropical areas. Coming back to the figure of 140,000 from the Union, it is to be observed that nearly 100,000 of these came from the Cape Province, the majority of these from the Transkeian Territories. It would be safe to say that, so far as the gold-mines are concerned, it is mainly the economy of the Transkeian Territories that is affected by their demands for migratory labour.

On the other hand, 230,000 migratory workers are engaged in other forms of employment, mainly domestic service and industries. It is interesting to compare the figures engaged in gold-mining and other forms of employment in the four Provinces:

	<i>Gold-Mining</i>	<i>Other</i>	<i>Total</i>
Cape . . . .	96,636	31,915	128,551
Natal . . . .	14,125	64,466	78,591
Orange Free State . .	5,419	24,774	30,193
Transvaal . . . .	23,383	117,019	140,402

So far, therefore, as the Provinces outside the Cape are concerned, it is misleading to attack the gold-mines as being the chief cause of migratory labour. Their share of responsibility is not merely the number of natives whom they take, but the fact that it was they who popularized the system on a large scale; and it is they who with their own vested interests at stake fight most earnestly in its defence. The gold-mines are vanishing, though very slowly vanishing, assets. It would therefore be unfortunate if they are to stereotype for the rest of the country a system in itself unsuitable. The gold-mines themselves have put up an able case for the defence of the system so far as their own industry is concerned. It is suggested that in respect of gold-mines the Union's policy should be to scrutinize with care any extension of the system, and while it lasts to encourage the importation of workers rather than the disorganization of the Union's own economy, although to be sure this only sets the problem a little farther back geographically. There are few people who would suggest that the whole of the gold-mining industry and the whole life of the Witwatersrand should be dislocated by an immediate reversal of policy. What the Union cannot afford to allow is that projects, such as the agricultural rehabilitation and the industrial development of the Transkeian Territories,



should be held back, or that the wage level should be kept artificially low in order not to impede the mining industry.

And now, coming to look at the problem as a whole divorced from its special connexion with the mining industry, one must face the issue of whether our secondary industries should be developed on this basis of migrant labour. The Social and Economic Planning Council has strongly recommended as a policy that we should either take the factory to the worker by placing more of our factories in towns bordering on the Reserves, or that we should take the worker to the factory by providing family accommodation in the neighbourhood of his work. No doubt there will be a good deal of opposition to the latter suggestion because it seems as if it is a reversal of the "segregation" policy so loudly acclaimed as the considered policy of the country when the Hertzog Bills were passed in 1936. Under the influence of this policy it has been assumed that the African living in an urban area is a foreigner and an intruder, who has no business to be there except as a temporary labourer for the benefit of the European community. The theory underlying this has been one which held with beautiful vagueness that all natives should be accommodated somewhere in the remote and hazy distance "in the Reserves". Few South Africans until recent years have taken the trouble to investigate the exact nature of the Reserves, their carrying capacity, and their ability to supply homes for all.

To-day the atmosphere has changed. Research workers are studying the Reserves with increasing attention. The Government itself has been impressed by the economic deterioration of these areas, some of which at least are potentially good agricultural land. The ravages of soil erosion, not only in the form of donga erosion but in the more dangerous form of sheet erosion, are making themselves felt. What were once fertile areas are coming to assume more and more a neglected and in a few instances a semi-desert appearance. What else can be expected when the vigorous men of the community are drawn away as absentee workers in some distant town and agriculture left to the women, the very young and the very old. South Africa has to make up its mind whether the Reserves are to be regarded as areas for stabilized peasant farming together with a certain amount of urbanization and industrial development, or whether they are to be regarded primarily as a reservoir of labour providing homes for the families and subsidies for the wages of urban workers. Even though a completely logical and clear-cut solution will hardly be found to this dilemma, it is obvious that the permanent interests of South Africa call for the former rather than the latter conception of the Reserves. All who know the Reserves are agreed that nothing but continual deterioration will result from the present system of using them largely as a labour reservoir.

We have spoken of soil erosion, we must not forget soul erosion. The present system disrupts family life, causes widespread immorality, and through the absence of a father's discipline and care encourages unruliness and delinquency among the children. In every sphere of social and even political life the denudation of the Reserves, taking many of their most vigorous men away, makes itself felt with serious consequences. At the other

end in the towns themselves the presence of a large excess of males has the consequences which such a situation always produces—prostitution, previously an unknown vice among the Bantu, illicit liquor trade, unnatural vice, and many other unfortunate social results.

It is doubtful whether even the recording angel will be able to balance the good and bad which the gold-mines have brought to South Africa. Their influence in both directions has been colossal, but we cannot betake ourselves to some sheltered backwater, we must live on the main stream of life, and that means that we must accept the industrialization of South Africa, mineral or other, and see what we can do, without destroying what has been built up, to create a healthier state of affairs. Industry in general would certainly benefit from stabilized and experienced labour, as would agriculture. Some greater stabilization is essential if the Reserves are not to be completely spoilt. The health of the people and the protection of their family life demand rapid and effective action.

Taking it all round, the essentials of policy seem to be:

- (1) To scrutinize very carefully and if possible to check any new development of migratory labour in the gold-mines or elsewhere.
- (2) To leave the gold-mines with as little interference as possible otherwise, but not to allow them to influence policy in the direction of holding up schemes for better agriculture, more thorough industrialization and better wages.
- (3) To plan our policy for the Reserves on the definite assumption that they are for the future to provide more and more permanent homes where families as a whole can make a living, either on the land or in urban areas within the Reserves.
- (4) To encourage the distribution of factories, so that some are placed in areas where Africans can live at home while working in the factory.
- (5) To encourage experiments such as that of the South African Iron and Steel Corporation for the provision of family accommodation for all workers.
- (6) To direct public opinion so that it is ready to accept the new conception of permanent native urban populations with freehold rights, definitely looking to the towns for their life and their improvement.

Conditions in the Union are so different from those in the neighbouring territories that a parallel can only be drawn with many reservations and conditions. At the same time it should be noticed that the Belgian Congo has recently held that 5 per cent of the male population represents the danger-point so far as the Reserves are concerned. If we compare this 5 per cent with the 28 per cent in some areas in the Union, we realize that any one who has the welfare of the Native Reserves at heart must look with criticism and even some alarm on the policy that has been allowed to grow up.

South Africa,

October, 1945.

H

## NEW ZEALAND

VJ DAY

TO New Zealanders the startling rhythm and early climax in the drama of the Pacific War were as surprising as they must have been to other peoples of the United Nations. At the beginning of August the Government made a long-awaited announcement as to its plans for participation in the final stages of the campaign. A two-brigade division, requiring with base and service troops a personnel of 18,900 men, was to take part in the land campaign, though the theatre of their operations was not announced. Further reductions in the Air Force and in the forces serving at home were also announced. This would have left about 50,000 men in military service, while freeing about 45,000 or more for early release. New Zealanders prepared to watch their men take part in an arduous though not dramatic campaign with further casualties. Some were of the opinion that more men might have been released to take part in expanding vitally necessary supplies of foodstuffs. Then came the dramatic entry of the U.S.S.R. into the campaign, and the still more dramatic introduction of the atomic bomb. Finally came the sudden surrender of Japan.

Before the belated announcement of the end of the war and the official celebrations with their note of serious thanksgiving, a tide of unofficial celebrations had already begun. They had about them more hilarity and spontaneous joy than the VE-Day celebrations. Yet in a sense the latter represented the true climax of the war to New Zealanders. True, they could look back to the days when New Zealand was directly menaced, and full mobilization, the building of air-raid shelters, the holding of air-raid drills, the ceaseless watch on the coasts were the symbols of that danger. They could recall the part played by the Royal New Zealand Navy in the Pacific campaign, the missions of the Third Division at Guadalcanal, Nissan and the Treasury Islands, and the dangerous work under trying conditions of the R.N.Z.A.F. in co-operation with the forces of the United States and Australia. Yet the rôle of the Third Division has been properly appreciated by only a minority of New Zealanders. Their part was small, though it was not insignificant. What they were asked to do they did, and did well. Their rôle was never dramatic, and the small casualty list and early withdrawal of the division made it all the less dramatic. New Zealand's thoughts went rather with the Second Division, and its more striking achievements alike in the stress of withdrawal and in the triumph of victorious though arduous advance through Libya, Tunisia and Italy. Yet New Zealand has necessarily become more conscious of its rôle as a nation of the Pacific. It took pride in participation as a signatory, represented by Air Vice-Marshal Isitt, at the main surrender ceremonies. The decision to contribute a brigade to the occupation forces was received with approval, tinged with some disappointment that the force must be provided by drafting men already in the field, and voluntary enlistment could be used only later for replacements.

The Government have outlined their demobilization plans, first for the Army and later for the Air Force. Priority in release is to be given to men needed in essential work, to men with four years' military service, to men under twenty years and six months, who can have had little experience of civilian employment, to married men with children and to men over 35. At Army mobilization camps, some of which will be closed, only a minimum staff for maintenance and for training recruits is to be retained. More air stations are to be closed. In the final stage planning has to provide for the maintenance of forces retained in the Pacific during the stabilizing period, for the interim maintenance of ferrying services, and for stages of adjustment to the needs of the permanent Air Force. Decisions in regard to the permanent military forces to be maintained still remain to be announced.

### THE BUDGET

THE Financial Statement, brought down before the end of the war with Japan and subsequently revised, disclosed a decrease in war expenditure of some £33 million compared with the previous year. The main items of expenditure are as follows:

		(£ Million)	
		1944-45	1943-44
Navy	. . . . .	6.6	8.2
Army	. . . . .	51.0	78.0
Air Force	. . . . .	33.3	33.8
Civil	. . . . .	4.9	7.9
Reverse Lend-Lease	. . . . .	26.7	24.5

Expenditure from the Consolidated Fund, after providing for transfers to the War Expenses Account and Social Security, totalled £44.5 million as compared with £35 million in the previous year, owing to increases in debt charges and to increases in salaries and wages to State employees, payable as from June 30, 1944. Payments from the Social Security Fund totalled £19.3 million, an increase of £1.7 million on the previous year, due to higher expenditure on hospital, medical, family and age benefits. Aggregate expenditure on the War Expenses Account, the Consolidated Fund and the Social Security Account was £192 million as compared with £205 million in the previous year. Taxation revenue provided £110.9 million; Lend-Lease and Mutual Aid £24.5 million; war loans net £48.2 million, and other receipts, including the disposal of surplus war stores, £13.7 million. Loans totalling £111.1 million were raised from Government Departments for national development purposes, principally housing and electricity development. After allowing for debt redemption, but ignoring Mutual Aid and Lend-Lease transactions, the net increase in national debt for the year was £36.7 million. Borrowing under the Memorandum of Security, less repayments, brought the balance outstanding at the end of the year to £19 million. Other national debt held abroad was reduced during the year to a total of £181 million. Consequent upon the Government's policy of meeting war expenditure mainly from taxation, the Minister claimed that only 43 per cent of the total war expenditure of £507 million up to March 31, 1945, remained

outstanding in the form of war loans, all due for repayment in New Zealand except for the balance on the Memorandum of Security.

The surplus on the Consolidated Fund, £1.2 million, is not this year to be transferred to the War Expenses Account nor in the coming year are there to be any transfers from revenue to that account. The estimates of expenditure from the Consolidated Fund total £57.3 million, and provide for increases of approximately £1 million in debt charges and £6.5 million on health, education, social security and other services. The projected borrowing for national development purposes amounted to £16.6 million, an increase of £5.5 million on last year, and will cover increased expenditure on housing, electricity development, land for settlement and railways improvements. These loans are again to be raised from State Departments.

War expenditure was originally estimated at £105.4 million, including £24 million for reverse lend-lease and £2 million for rehabilitation. War taxation at existing rates was estimated to yield £49.6 million, lend-lease and mutual aid £20.5 million, the Memorandum of Security £3.5 million, and disposal of surplus stores and miscellaneous receipts £6.8 million, leaving a gap of £25 million to be met by war loan. The 1945 Victory Loan of £25 million was oversubscribed by half a million, and further National Savings receipts could be expected during the remainder of the year. The Minister of Finance apparently planned to hold the credit balance of £9 million from operations of the previous year as a fund for unforeseen contingencies. Consequently he held that: "The time has not yet come for a general review of taxation, for we still have heavy costs of war and rehabilitation to meet." This was a disappointment to many taxpayers who had been hoping for reductions in taxation, but the termination of the war aroused hopes that the decision would be revised. To their amazement they learned that, according to the Minister, the coming of peace would merely increase the war expenses for which provision required to be made. His revised estimates raised the total required to £121.2 million, because of increased payments in respect of balance of pay due, deferred pay, leave and allowances, transport, stores already ordered and shipped, maintenance and rehabilitation.

The Minister's estimates were sharply criticized, because he gave few details and little supporting argument, but they had to be accepted. The only item in which he expected a reduction was reverse lend-lease, reduced to £22 million. After the announcement of the termination of lend-lease the Minister indicated that this last item remained to be settled by delicate negotiations between Governments. An amendment to the Land and Income Tax Bill, to defer the second reading for twenty-one days in order that the Government might reconsider its taxation proposals, was defeated by only 37 votes to 34. It is probable that the increase in the War Expenses estimates was due to the decision of the Minister to cover the period up to final demobilization, which might come after the end of the financial year. He also pointed out that a further amount of £18 million would be necessary to meet the gratuity of £3. 15s. per month for service abroad and £1 per month for service in New Zealand, though, apart from special concessions, this expenditure would be spread over a period. He therefore



reiterated his view that there was no scope for adjustment of taxation, though revision would be necessary and desirable next year.

The one concession made this year is a special depreciation allowance for tax purposes of 20 per cent of the cost of new buildings and equipment, to be spread over five years, at 40 per cent per annum in addition to the standard depreciation allowance of  $7\frac{1}{2}$  per cent per annum for equipment and 1 to  $2\frac{1}{2}$  per cent for buildings, depending on the nature of construction. This allowance has been criticized as inadequate under the special conditions of the period. The concession was originally to begin in the year 1946-47; but the Minister later indicated that he would consider whether it might not be possible to apply it in the present year.

### SOCIAL SECURITY

ESTIMATED expenditure from the Social Security Fund for the present year is £22.6 million, increased by later additions to £23.1 million, compared with £19.3 million in 1944-45. Receipts from the Social Security Charge and the Registration Fee are estimated at £14.5 million. Seven millions are to be transferred from the Consolidated Fund. The remainder is to be met out of balances in hand at the beginning of the year of £2.4 million. The increase in estimated expenditure is mainly due to increased benefits, forecast in the Financial Statement and embodied in the Social Security Amendment Bill as part of the Government's minimum family income policy. For married couples the invalidity, sickness and unemployment benefits are to be £4 per week with allowable income from other sources of £1 per week. Age benefits are to be on the same basis, even where the wife is under the benefit age. For single adults the benefits are to be £2 per week with an allowable income of £1. Miner's benefit and war pensions are also brought on to the same basis. For persons under 20 years of age sickness and unemployment benefits are raised to £1 per week and invalidity benefit to £1. 10s. with an allowable income of £1 per week, provided that in the case of unemployment benefit it is not derived from salary or wages. For widows with children the benefit is to be £2 per week, and for widows who have had no children £1. 10s. per week, but in this last case the allowable income is £1. 10s. per week. At present family benefit of 10s. for each child under 16 is paid in cases where the family income is not over £5. 10s. per week. From October 1, 1945, the income limit for family benefit is to be raised to £6. 10s., but after April 1, 1946, the benefit is to be paid irrespective of income. Thus a minimum income of £5 per week will be ensured in cases of a married couple with two children. This provision is later to be supplemented by legislation to ensure a minimum wage for all adult workers, male and female. The universal superannuation benefits for all persons of 65 or over have also been extended from the ultimate limit of £84. 10s. per year to £104 per year. Since April 1, 1945, the amount paid on universal superannuation has been £22. 10s. per year; and it increases by £2. 10s. each year until the limit is reached. The higher limit will therefore merely be attained at a later date.

Thus after April 1, 1946, the means test for family allowances will be removed. The effects will be threefold. Although the war-time index of the

cost of living has been maintained at a stable level, the cost of items not covered by the index has increased. The increase in benefits, including the changes in family allowances, will do something to offset this, especially in the case of those not at present receiving family benefit. The changes will also do something to redistribute the national income in favour of those with families in middle and lower income levels. It may also be designed to encourage a growth in the size of family, and by increasing the birth-rate do something to remedy the increasingly unfavourable age-distribution of the population which menaces New Zealand. On the other hand, the present exemption in respect of income tax of £50 for each child under 18 is to terminate after April 1, 1946, though the standard exemption for a wife is to be raised from £50 to £100, provided that the consequent reduction in tax shall not exceed £26. This will serve to reduce the net costs of the scheme. It is on the matter of probable costs that most criticism of the proposals has been raised. Under challenge the Minister of Finance stated that the net additional costs of making family allowances universal, allowing for changes in income-tax exemptions, would be £7 million in the first year. The Leader of the Opposition has contended that the costs must be appreciably higher, though he accepted the general principle of increased benefits while contending that it would be better to seek to reduce the cost of living and increase the purchasing power of benefits. The other main line of criticism has been that the changes represent stronger discouragement to thrift and that the allowable income from other sources should be raised, or that, where, because of thrift, income from other sources is more than £1 per week, the loss of benefit should be graduated.

#### FULL EMPLOYMENT

PARLIAMENT ratified the charter of the United Nations Organization on August 9 after a notable and judicious statement from the Prime Minister on the negotiations at San Francisco. The country therefore accepted the obligation of seeking to maintain full employment and to raise standards of living, a provision for which its representatives had strenuously contended at the Conference. As was to be expected, the budget announced a policy of full employment. The Minister of Finance also stated: "Our people must be able to acquire purchasing power through employment, but it cannot be too strongly emphasized that the standard of living depends upon the volume of goods produced and services made available. The production of goods and services is the prime essential, without which there is no living standard. The responsibility of the Government is to ensure that necessary work in whatever form brings its full share of the commodities and services produced."

The Minister of National Service had already announced that a survey of the employment field was to be undertaken by his Department in conjunction with the Rehabilitation Department, while the special field of employment in the main manufacturing industries was being surveyed by the Organization for National Development with the co-operation of the Manufacturers' Federation. The Employment Bill brought forward by the Government, however, was not a particularly inspiring measure. It provides for the

establishment of a National Employment Service under a Minister of Employment, with a Director of Employment as administrative head. The Service is to provide a complete employment service for placing workers in employment, assisting employers to secure labour, and assisting and guiding those who require training or occupational readjustment to enable them to find employment. It is also responsible for "assisting employers to provide employment", though no means are indicated by which it can do this. It is to make surveys and forecasts in regard to classes of employment required or available. It is to "do all things deemed necessary or expedient for the purpose of promoting and maintaining full employment, whether by facilitating the better location or availability of employment in relation to the labour available or otherwise howsoever". Power is given to make regulations for obtaining information "whether in relation to labour requirements or retrenchments, movements of labour, subsidies or otherwise" and prescribing punishments for offences against regulations made under the Act. The Minister will have power to appoint advisory councils or committees; this will provide a means for associating employers' and workers' organizations with the Service. The Bill thus provides an agency for placing workers, provided it can meet the varied needs of employers efficiently, and a means for increasing mobility between occupations and between places. As the Prime Minister pointed out, "there must and will be a programme to promote industry and public works which will have to go hand in hand with these provisions". No attempt is made in the Bill to define the objective of Full Employment, and difficulties will remain in regard to the treatment of necessarily seasonal employment, which is especially important in New Zealand. The Organization for National Development has already received over 1,250 replies to its questionnaire to industrial employers; and these indicate a considerable amount of planned expansion in private industry, involving investment of approximately £6 million. The introduction of the Bill, however, accentuates the problem of amending taxation, especially on companies, so as to give encouragement to private investment—a policy pressed by business organizations and the Opposition. In addition the Minister for Works is preparing a long-range plan of public works, covering a possible outlay of up to £250 million. During his discussion of the Bill the Prime Minister indicated that the Organization for National Development might be terminated when it had completed its initial co-ordination of plans. He thought that its statistical section might be merged in the new employment service, and other sections, including the network of regional planning committees it has organized, might go to the Ministry of Works.

Some critics have contended that, in the interests of economy, the new employment service should come under the Labour Department, which has officers throughout New Zealand. There is indeed much to be said for this. However, the Labour Department is concerned also with the enforcing of arbitration awards, and in the near future is likely to have the responsibility of supervising a new Factories Act. In his final report Dr. J. M. Davidson, one of the British Government's medical inspectors of factories, who has been for some time associated with the Health Department in a survey of

factory conditions, made trenchant criticisms of working conditions in New Zealand factories. He stated that from a survey of over 200 factories, some of which he found to provide good conditions, his leading impression was of overcrowding, poor lighting, and dirt, and he considered revised legislation necessary to provide more hygienic and better conditions of work, better medical and nursing supervision, and improvements in safety measures. It may well be that a service to provide workers to employers should be separated from activities which for some time may be vexatious to employers who find difficulties in adapting new standards.

#### POPULATION AND HOUSING

A CENSUS was taken on the evening of September 25, and was undoubtedly overdue. No census has been taken since 1936, and, owing to the war, one or two reports of that census have not yet appeared. Holding a census this year has broken the regular sequence, which would have called for one next year. However, it was considered necessary by the Government for the purpose of regrouping electorates for the elections next year and for other urgent purposes. There has been some criticism of a census at a time when war controls have drawn so many people to centres of war production and away from normal residence in the country areas. The census schedule paid special attention to data in regard to housing facilities and to incomes. One reason for holding a census this year may possibly be seen in the introduction of an Electoral Amendment Bill just on the eve of dispatch of this article. This measure aims at the abolition of the "Country Quota"—the provision under which, when the 76 European electorates are marked out, 28 per cent is added to the rural population, so that the actual voters in rural electorates are fewer than in urban electorates, and the rural portions of New Zealand are given a greater voice in Parliament than they would otherwise have.

The housing situation has continued to be difficult. It is not possible to provide homes for men returning for demobilization, and this problem must become more acute. Some small military camps, adjudged suitable for the purpose, are being adapted to provide temporary accommodation for the families of demobilized men and others. The camps are offered by the Government to local bodies free of cost for this purpose, though costs of adaptation to be borne by local bodies are often appreciable. Building costs are still mounting, and will be further increased by increases in wages and timber prices granted in order to meet the labour and financial difficulties faced by country timber millers. Scarcity of timber is one of the main bottle-necks in housing, and is accentuated by lack of transport.

#### NEW GOVERNOR-GENERAL

NEW ZEALANDERS heard with great pleasure that the King had approved the nomination, as the next Governor-General, of Sir Bernard Freyberg, V.C., the distinguished soldier who has so ably led the Second Division from its inception.

Wellington,

October 16, 1945.



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